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Revenue Committee
February 06, 2008

[LB784 LB895 LB912 LB1033 LB1046 LB1088]

The Committee on Revenue met at 1:30 p.m. on Wednesday, February 6, 2008, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB895, LB784, LB1033, LB1046, LB1088, and LB912. Senators present: Ray Janssen, Chairperson; Merton "Cap" Dierks, Vice Chairperson; Carroll Burling; Abbie Cornett; Chris Langemeier; Don Preister; Ron Raikes; and Tom White. Senators absent: None. []

SENATOR JANSSEN: Good afternoon, Ladies and Gentlemen, welcome to the Revenue Committee hearings this afternoon. For the record, my name is Ray Janssen, I'm from Nickerson, Nebraska, and I happen to chair this committee. To my far left is Senator Don Preister from Omaha; next to him is Senator Carroll Burling; Senator Abbie Cornett from Bellevue; to my far right is Senator Tom White; and to his left, Senator Chris Langemeier; and to his left is Senator Ron Raikes. Legal counsel George Kilpatrick is here; Erma James is the clerk for the day; our pages are Sarah and Tim. A few things I want to remind you of, and I know you've...if you've been in hearings before, you've heard all this before, but I'm going to tell you again. Please turn your cell phones off while you're in the hearing room. We have automatic ejection seats; if you phone goes off, you will be shot to the moon by the excess gasoline that we have in this state. (Laughter) If you're going to testify, please, you'll find the sheets to sign in back by the door for testifiers and they are on the table by each door. You need to complete those if you're wishing to testify. If you're testifying on more than one bill, you need to submit a form for each bill. Please print and complete the form prior to coming up to testify. When you come up to testify, hand your testifying sheet to the committee clerk on my far right. There are clipboards in the back of the room to sign in if you do not wish to testify, but would like to indicate your support or opposition for that particular bill. These sheets will be included in the official record. We will follow the agenda as posted on the door. The introducers or the representatives will present the bill, followed by the proponents and opponents and the neutrals. Only the introducer will have the opportunity for closing remarks. As you begin your testimony, please state your name and spell it for the record. If you have handouts, please bring at least ten copies for the committee clerk and the staff. If you only have the original, we will make copies for you. Give the handouts to the pages to be circulated to the committee. With that, we'll begin the hearings for today, and I'll turn the chair over to Senator Langemeier because I happen to have the first bill. []

SENATOR LANGEMEIER: Senator Janssen, you are recognized to open on LB895.
[LB895]

SENATOR JANSSEN: Senator Langemeier, members of the committee, for the record, my name is Ray Janssen representing the 15th Legislative District. I'm here to introduce LB895 on behalf of Governor Heineman. This bill would create a sixth tier of

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qualifications under the Nebraska Advantage Act. It would be available for projects that pay at least 150 percent of the state's average weekly wage or 200 percent of the county's average weekly wage, whichever is higher. The benefits that would be received by the qualifying companies would be quite generous: A 15 percent investment credit; a 10 percent wage credit; and a complete personal property tax exemption. Companies could use the credit to offset real estate taxes. This bill would break new ground in terms of amount of benefits available and the ways companies can utilize them. I know the bill is projected to be quite expensive, \$13 million in 2019 and 2020. I know there will be opposition; there always is when you have tax incentives that are proposed. My goal for the legislation is to stimulate the growth of high-paying jobs in Nebraska. That's why I introduced this bill for the Governor. There may be more than one way to do that, and I pledge to work with the committee to assure that everyone is satisfied with LB895. There are people behind me, particularly the Governor, that will explain it a little further, and I reserve the right to come back and close if I see fit. [LB895]

SENATOR LANGEMEIER: Thank you, Senator Janssen. [LB895]

SENATOR JANSSEN: Thank you. [LB895]

SENATOR LANGEMEIER: Are there any questions for Senator Janssen? Seeing none, we'll start with proponents. Thank you. Governor, welcome to the Revenue Committee. [LB895]

DAVE HEINEMAN: (Exhibit 1) Senator Langemeier, members of the committee, thank you very much. Good afternoon. For the record, my name is Dave Heineman, H-e-i-n-e-m-a-n, Governor of Nebraska. I want to begin by thanking your Chairman, Senator Ray Janssen, my senator, for introducing LB895 on my behalf. I was pleased to have the members of this committee join me a few weeks ago when we announced this legislation, and I appreciate the opportunity to visit with you today. LB895 is an attempt to think innovatively about how we attract the jobs of the future here to Nebraska. The idea for the Nebraska Super Advantage started with discussions I've had with high school and college students, parents, and business leaders across our state during the past few years. Our young people want to use the excellent education they received growing up in Nebraska and find jobs doing something they enjoy. They want to be able to earn a good living. They want to have the option of doing all of that right here in Nebraska. Whether you talk with high school students or college students, nine times out of ten they'll tell you they'd love to stay in Nebraska, but they're not sure they'll find a job that pays well enough. They'll tell you they feel they have to look at Kansas City, Chicago, Denver or somewhere even further away in order to find a good job that pays a quality salary. I've shared with them that their perspective doesn't fit with reality when you look at the number of companies expanding in our state, but their question is valid. Even young professionals who have already gotten started here are asking: Am I going to be able to advance in my career if I stay in Nebraska? Do I try my luck here at home

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or see what else is out there? I think we can give them better options. This bill is an opportunity to attract businesses that will help convince today's workers and future students that they can. Here's the concept: We're challenging businesses in virtually every industry to create jobs in communities throughout our state. It doesn't matter what industry or where you set up shop, if you're willing to bring high-salary positions here to Nebraska, jobs that pay at least \$50,700 a year or twice the average county wage, we'll provide more incentives than ever before. It's worth it if we can create high-paying jobs that give our young people more options and we can retain the best and the brightest. With the passage of the Nebraska Advantage Act, we have been able to attract the attention of site selection consultants while also giving homegrown businesses the incentive to expand here in our state. We want to build on the success of the Nebraska Advantage by challenging our business community to do more. We want to attract companies that will help move our state forward. We want to attract new workers and create new opportunities that will help students with advanced degrees secure the advanced jobs that will help them contribute to the future of our state. Our experience with the Nebraska Advantage has shown that communities across our state can attract businesses creating large numbers of jobs. Whether it's Lincoln or Omaha, Nebraska City, Grand Island, Wood River, Fremont, Columbus, Norfolk, Scottsbluff or Chadron, businesses are ready and willing to create 70 to 100 jobs or more. The challenge is this: Can we attract businesses that will create this threshold of high-paying jobs at twice the current wage? I think we can. Tax Commissioner Doug Ewald is here to outline the benefits we're prepared to offer, as well as Richard Baier, Director of the Department of Economic Development, who will talk about the opportunities this bill would provide. But I want to add that an idea like this should be challenging. We should set the bar high. I'll conclude by saying that this is the kind of opportunity that will strengthen business recruitment efforts already underway in communities across our state and help create incredible opportunities for the future. I'm here today because I'm excited about the possibilities the Nebraska Super Advantage could unlock for our state. Advancing this bill would give Nebraska new leverage in our economic development efforts. Thank you for the opportunity to testify today, and I welcome any questions you may have. [LB895]

SENATOR LANGEMEIER: Thank you, Governor. Are there any questions? Seeing no questions, they're letting you off the hook easy. [LB895]

DAVE HEINEMAN: Thank you very much. [LB895]

SENATOR LANGEMEIER: Thank you. Next proponent. Welcome. [LB895]

DOUG EWALD: (Exhibit 2) I'll wait until they pass those out. [LB895]

SENATOR LANGEMEIER: Okay. [LB895]

GEORGE KILPATRICK: Do you want to get a count sometime? [LB895]

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SENATOR LANGEMEIER: A count? On what? [LB895]

GEORGE KILPATRICK: Yeah, on testifiers. [LB895]

SENATOR LANGEMEIER: Oh, yeah. While we're waiting for this, can I see a hand of proponents? A few. Are there any opponents? Okay, a couple, okay. Neutral testifiers? Not too many. Okay, thank you. [LB895]

DOUG EWALD: Okay, great. Senator Langemeier, members of the Revenue Committee, my name is Doug Ewald, E-w-a-l-d. I am the Nebraska Tax Commissioner, and I'm here today in support of LB895, Nebraska Super Advantage. My role today is to explain the details of this legislative bill. I'll discuss the business requirements of this legislation and compare it to what is currently in statute, highlighting the differences. To assist in my explanation, I have brought two exhibits that will hopefully improve your understanding. The first exhibit is the colorful business incentive matrix that's on legal-sized paper. The column that I will focus on is tier 6, that is the one in bright yellow. To qualify, businesses need to invest at least \$10 million in new capital and must create at least 75 new jobs at the high wage thresholds. These jobs can be in any field other than retail. The new jobs must pay at least 150 percent of the statewide average annual wage or 200 percent of the county average annual wage, whichever is greater. To give you a perspective of the wage requirements in different counties, I have included a second exhibit that identifies these requirements as of today. This information is collected by the Department of Labor on an annual basis and it's usually issued by October 1 of each year. So the stapled exhibit that you have representing all the counties shows the average annual wage, where they'd fall out under the 200 percent requirement or if that is less than 150 percent of the state requirement, where they would need to meet that particular requirement that's dictated by the state. So, statewide that's a \$50,700 job and the other counties may be...that's the minimum...may be more than that or would be more than that in particular situations. So hopefully that gives you a feel for what we're talking about. This is a design to work across the entire state of Nebraska based on the average wage in any particular county. In exchange for meeting these requirements, businesses will receive a 15 percent investment tax credit, a 10 percent wage credit, sales tax refunds on all capital purchases, and a tax exemption on all tangible personal property. The key enhancements of this proposal over what we have today are as follows: The 15 percent investment tax credit is 5 percent higher than any existing Nebraska Advantage tier; the 10 percent wage credit is 4 percent higher than the top wage credit for any tier today. With respect to the exemption for tangible personal property, today we exempt aircraft, mainframes, agricultural processing equipment, and personal property used in distribution facilities. This tier will exempt all tangible personal property; other examples might include personal computers and office equipment. Businesses will utilize their credits on their corporate income tax returns through sales tax refunds on expensed items, refunds of

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new employee withholding, and refunds of real property taxes. The sales tax refund on expensed purchases is expanded to include all sales tax paid in Nebraska, not just the sales tax specific to the project. Along with this, the refund of real property taxes is a new mechanism to accelerate the utilization of tax credits, so we've focused here on how businesses can monetize those credits, turn them into cash sooner. This concludes my testimony, and I'd be happy to answer any questions that the committee may have. [LB895]

SENATOR LANGEMEIER: Thank you, Commissioner. Are there any questions?
Senator Raikes. [LB895]

SENATOR RAIKES: We are including businesses here that we haven't before. I guess one way to ask it, why not include retail, too? [LB895]

DOUG EWALD: That's a tough one. I mean, we never have, obviously, that's the one that's always been excluded. It's the fast food and those type of retail that probably can't hit these or wouldn't hit these requirements. And I guess maybe to clarify, how a retail is defined today may be in the statute to kind of give you a perspective of that. And today, if you have 80 percent or more of your total sales are to the ultimate consumer, that's deemed to be a retail. So... [LB895]

SENATOR RAIKES: So would, for example, an accounting firm that dealt mostly with customers, perhaps businesses and so on, they could qualify for this? [LB895]

DOUG EWALD: Absolutely. If you had an accounting firm, if you had a law firm... [LB895]

SENATOR RAIKES: Or lawyers, lawyers. [LB895]

DOUG EWALD: Exactly. Something along those lines. [LB895]

SENATOR RAIKES: Or doctors. [LB895]

DOUG EWALD: Sure, if they could meet these requirements for capital investment and number of new employees, as well as the wage thresholds. [LB895]

SENATOR RAIKES: But can't you make the argument then in a sense these are retail-type organizations, they're retailing either professional services or... [LB895]

DOUG EWALD: Yeah, I suppose you could make that argument. I mean, that's a service side. Retail has been... [LB895]

SENATOR RAIKES: Isn't it likely that the entities that would qualify here would be those

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kinds of firms? In fact, I'm looking at the fiscal note, it says that...I think as Senator Ray Janssen pointed out, this is fully played out, this is a \$13 million hit on the revenue stream to the state. [LB895]

DOUG EWALD: With full implementation or when we... [LB895]

SENATOR RAIKES: Yeah, over and above what would be available under tier 4 or the other programs that we now have available. [LB895]

DOUG EWALD: That's correct. [LB895]

SENATOR RAIKES: So aren't you, with this program, excluding some of the most skilled, most able taxpayers from participating in the tax base? [LB895]

DOUG EWALD: Because we're not... [LB895]

SENATOR RAIKES: Namely, lawyers, doctors, accountants, people who have achieved well... [LB895]

DOUG EWALD: Well, I guess I don't...I guess, if you're including them in the definition of "retail." Those professional services aren't today included in the definition of "retail." [LB895]

SENATOR RAIKES: But so, okay, and so they would qualify? [LB895]

DOUG EWALD: Yes, oh, absolutely, yes. [LB895]

SENATOR RAIKES: Yeah. So by allowing them to be a part of this tier, then you're basically exempting them from paying taxes in this state. [LB895]

DOUG EWALD: Well, if they bring those type of jobs... [LB895]

SENATOR RAIKES: And for example, if I'm a physician and I'm a part of a limited liability company or Sub S corporation that sets up its firm, basically I could be exempted from paying income tax to the extent my credits... [LB895]

DOUG EWALD: To the extent that your credits offset that, that would be possible, correct. [LB895]

SENATOR RAIKES: Okay. [LB895]

DOUG EWALD: And obviously each project is unique and very specific with respect to capital investment, the number of employees, those type of things. So they would, if

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they met those requirements, this would be...obviously this is another tier. We audit this just like we do any other tier, so they would need to meet these requirements. [LB895]

SENATOR RAIKES: Okay. I notice also you've got the application fee of \$10,000 compared to the highest other one is \$2,500. [LB895]

DOUG EWALD: Yes. [LB895]

SENATOR RAIKES: Is the expectation that the processing of these applications is going to be much more difficult than the other tiers? [LB895]

DOUG EWALD: I don't know if the processing is any more difficult, but this is a higher level of incentive that maybe that this here commands a higher application fee, if you will. [LB895]

SENATOR RAIKES: So it's a little along the argument that you should pay a lot for a rain gauge, that way you'll get more rain? (Laughter) [LB895]

DOUG EWALD: Well, our farmers are probably up for that, maybe. But I mean, I think it's probably more reflective of what it takes to process that application than maybe in the past, so. [LB895]

SENATOR RAIKES: Okay. Thank you. [LB895]

GEORGE KILPATRICK: I guess you're in charge. [LB895]

SENATOR RAIKES: Oh, well, are there...yes, Senator Burling? (Laughter) [LB895]

SENATOR BURLING: Thank you, Senator Raikes, we'll get somebody in charge here pretty soon. Thank you, Commissioner Ewald. If this proposal here today was current law, would there be anybody receiving the benefits? Is anybody here now in the state that would qualify for this? [LB895]

DOUG EWALD: That's a good question. What...and it kind of goes to the fiscal note, I guess, if you will. Today we're not aware of any company that's knocking on our door asking for this, so this is visionary, this is a prospect that hopefully that we will be able to reel somebody in. And I think Richard will probably talk about it's another tool in his toolbox from economic development. What we did with respect to the fiscal note was, okay, what companies...if you look at what companies are out there today under LB312, if they could, based on what they put in their application, could they have qualified under this tier because of the number of jobs and the wages they're paying? There were some that could. And what we also did, we went back and looked at all the LB775 applications that might be up for renewal because they've run, that particular project has run its

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course, and if they would choose to do a subsequent project, now that subsequent project would need to add the capital investment as well as the jobs here. We see a few possibilities there from that standpoint that they could qualify based on what they did under LB775. So I guess to answer your question, there's probably...there's a couple under 312 as it exists today and there's probably a handful under LB775 if they would continue and do another project. [LB895]

SENATOR BURLING: Okay, thank you. I guess where I was kind of going with this is, would this additional tier bring benefits to a company that would not be covered under tier 4 or 5 or 3 or...are we providing something here that was absent? I know what it...I understand it is an extension... [LB895]

DOUG EWALD: Right. [LB895]

SENATOR BURLING: But if a company qualified for this new tier, if we didn't have it, would they qualify it for 4 or 5? [LB895]

DOUG EWALD: Sure, absolutely. [LB895]

SENATOR BURLING: Okay. [LB895]

DOUG EWALD: If you look at this, they could probably craft, if you look at tier 4, \$10 million, 100...well, if they could add 25 more jobs, yeah, they could get there under that, you know. They could do a flat \$30 million and no employment and get there. So they could conceivably get there under any one of these other tiers today if they meet those requirements underneath those thresholds. [LB895]

SENATOR BURLING: Thank you. [LB895]

SENATOR RAIKES: Okay, any other questions? I don't see any. Thank you, Doug. Mr. Baier, welcome. [LB895]

RICHARD BAIER: (Exhibit 3) Thank you, sir. It's a terrible place to be, I got the committee on one side and my boss sitting behind me on the other, so. [LB895]

SENATOR RAIKES: Got you right where we want you. [LB895]

RICHARD BAIER: Right where you want me. Good afternoon, Senators. My name is Richard Baier, the last name is spelled B-a-i-e-r. I have the pleasure of serving as the director of your Department of Economic Development. I'm here today to testify in support of LB895, the Nebraska Super Advantage. As the Governor referenced, Nebraska Advantage was enacted in 2005. It's been successful, more so than we ever anticipated. We have received 141 applications from growing companies in our state,

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generating \$4.77 billion in new capital investment with the creation of more than 12,600 new jobs anticipated. These numbers represent two and a half years of rigorous economic growth due in part to the benefits available under Nebraska Advantage. Of the 141 Nebraska Advantage applications received, 52 of those applications have actually been located outside of the Lincoln and Omaha metropolitan statistical areas. This highlights the significant impact on Nebraska's rural areas and shows that the intent of LB312, passed in 2005, is working to diversify our state's economy from border to border. Companies applying for benefits in our Nebraska Advantage represent a wide diversity of industries including: finance and insurance; advanced manufacturing; logistics; value-added agriculture; renewable fuels; business services; and many others. This strong track record of success has attracted both national and international attention over the last several years. Ron Pollina of Pollina Corporate Real Estate in Chicago recently ranked Nebraska as the tenth best state in the country for doing business in his most recent national rankings. More recently, on the front page of the Industrial Asset Management Council newsletter, Mike Rareshide of Partners Real Estate Group in Dallas cited Nebraska as one of the two best states in the country for locating projects. In this article, Mr. Rareshide specifically noted the importance of the Nebraska Advantage, aggressive and professional state economic development leadership, strong leadership from the Governor's Office, and available sites as important factors in Nebraska's future economic development effort. However, we cannot rest on this success and notoriety. LB895 represents the next phase in our state's population and business growth strategy. It offers us a targeted tool to address our state's inherent challenges and helps us to grow the types of jobs to keep our economy growing for future generations. This proposed Super Advantage first and foremost will stimulate the creation of new higher-paying positions, leading to increased quality of life for our Nebraska citizens. Historically, Nebraska's per capita income has lagged behind not only the United States, but most of our surrounding states as well. Since the year 2000, we've made great strides in improving our per capita ranking, increasing our per capita income from \$27,600 in 2000 to \$34,400 in 2006. We've even closed the gaps on two of the states in our region, including Colorado and Minnesota. However, we remain 9 percent below the national average in per capita income. The Nebraska Super Advantage is timely. Now is the time to capitalize on our recent successes with Nebraska Advantage by passing an additional incentive that will increase incomes and stimulate additional capital investment in our state. As we look toward the future of the country's innovation- and energy-based economies, there is a clear shift to a higher level of technology and innovation in almost every industry. Along with that shift in technology, we see a need for higher-skilled workers and the potential for higher-paying positions. This Super tier will help Nebraska stay competitive with not only our surrounding states, but nationally and internationally as well. New legislative packages that attract businesses to states occur every year around this country in legislatures like this one. The current trend among states is to provide very large cash discretionary funds to attract specific businesses, such as technology and biotech companies, to specific states. We as leaders in Nebraska need to be on the front end of

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movements to recruit these kinds of projects with a public policy that makes sense to the Nebraska taxpayers. I would encourage you to look at the recent Google announcement in Iowa as an example. Enhancement of Nebraska's incentives will be necessary to attract more 21st century-based companies. One significant policy change in LB895 is the use of earned credits towards real property tax refunds. As many of you know, most states surrounding Nebraska currently offer up to 100 percent property tax abatement to many of these new high-tech companies. This is an extremely attractive component in our new bill considering companies who we will target with the Super Advantage will also invest heavily in property and equipment. It's imperative that Nebraska not only be a leader in pro-growth public policy, but we take innovative approaches to policy in order to stay on the cutting edge of development, rather than looking at the leaders of the pack from the back as we may have done in the past. The Super Advantage is just that: It's aggressive, it's targeted, it's out-of-the-box economic development policy tied heavily to wage rates. We believe that it will lead to success for future generations of Nebraska. With that, I would be happy to take specific questions, (inaudible). [LB895]

SENATOR RAIKES: Thank you, Richard. Questions for Richard? Senator Preister has one. [LB895]

RICHARD BAIER: Yes, sir. [LB895]

SENATOR PREISTER: Thank you, Senator Raikes. Richard, you mentioned that there weren't any specific companies that this was tailored toward, I believe. [LB895]

RICHARD BAIER: That's correct. [LB895]

SENATOR PREISTER: So we don't have somebody knocking on the door, per se. [LB895]

RICHARD BAIER: That's correct. [LB895]

SENATOR PREISTER: This would be open to all existing Nebraska companies or somebody living in Nebraska who wanted to start a business? [LB895]

RICHARD BAIER: Yes. If they were to start a business and created at least 75 jobs that paid those wage rates that we specified in Doug's presentation... [LB895]

SENATOR PREISTER: Right, 200 percent. [LB895]

RICHARD BAIER: ...and invested at least \$10 million, yes, they would be eligible to qualify if they were nonretail. [LB895]

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SENATOR PREISTER: Okay. And it would also be open to anyone outside of the state of Nebraska? [LB895]

RICHARD BAIER: That is correct. [LB895]

SENATOR PREISTER: Which we would probably preferably want to attract and bring in because they're totally new jobs. [LB895]

RICHARD BAIER: That is correct, yeah. Senator, part of this research was really looking at some of the projects going on around the country, things like the Google data facility. Because of our power rates we have a real advantage in those kinds of high-tech industries as we've begun to look at, what do those look like and how do we cater to those kinds of projects to attract them to Nebraska over the long term? [LB895]

SENATOR PREISTER: And if we had had this in place when Google was looking to come to this area, how much more competitive may Nebraska have been if we had this in place when they went into Council Bluffs? [LB895]

RICHARD BAIER: Double would be my gut reaction, Senator, without knowing. I mean, there's a couple of other issues such as a site issue that we've struggled with a bit in Nebraska. But one of the things that Google consistently cited was the personal property tax, for example, that we have in Nebraska on computers which was a challenge for our friends at Google. A similar scenario with the kinds of positions they are creating in terms of salary and how do we benefit that salary and those positions where the average pay is \$60,000, \$70,000 a year to start. I can't guarantee that it would have been a success, but I think it would have made us significantly more competitive for those kinds of projects. [LB895]

SENATOR PREISTER: The other thing is, then, is the ability to recruit. [LB895]

RICHARD BAIER: Um-hum. [LB895]

SENATOR PREISTER: Obviously if you've got something you need to sell it, you need to find people and attract them. [LB895]

RICHARD BAIER: Absolutely. [LB895]

SENATOR PREISTER: What kind of effort are we looking at in terms of recruitment? [LB895]

RICHARD BAIER: You bet. That's a great question, Senator. There's a whole list of things that are going on in the area of terms of partnership between education, labor, Department of Economic Development, and the business community. I'll cite a couple of

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examples for you: One of them is the group called Future Force, which all of us were part of establishing several years ago. It was beginning to look at career curriculums in some of these target industries and how do we get curriculum from junior high, high school, college so that we've got kids coming out the other end? Future Force has been doing that. We are actively participating with the Department of Labor and other people in the state to be able to go out and try and recruit former Nebraskans. We actually have an intern on staff right now who is looking at blogging, some of the blogs that are out there that they're writing about states. We actually have an intern responding and doing some things on our state's behalf as part of that. So it's part of a pretty comprehensive strategy that's been a great partnership with Department of Ed and Department of Labor. [LB895]

SENATOR PREISTER: Okay. Thank you. One last question, then. What do you anticipate for a response? Do you have any idea how many companies or where we may go with this in the next, say, five years? [LB895]

RICHARD BAIER: I wish I had good answer for you, Senator. I hope the list is really long. You know, I can't make any guarantees. As you heard Doug say, we do have a couple of projects that may have met these requirements now, but not an awful lot. You know, of the three pages of the Nebraska Advantage applicants, if you get one or two or three out of there...we still have plenty of room for improvement. And so as we begin to look at this, I'd like to see us target four or five large projects over the next couple of years. And the first goal is going to be to get the bill passed and then begin to market it around the country. It's going to take a little time for people to take notice. [LB895]

SENATOR PREISTER: Sure. Thank you. [LB895]

RICHARD BAIER: You bet. [LB895]

SENATOR RAIKES: Other questions for Richard? Richard, you mentioned job growth or...I think job growth. [LB895]

RICHARD BAIER: Um-hum. [LB895]

SENATOR RAIKES: New jobs being offered. How much has total employment in Nebraska changed in the last two or three years? [LB895]

RICHARD BAIER: Um-hum. [LB895]

SENATOR RAIKES: How much has total employment in Nebraska changed in the last two or three years? [LB895]

RICHARD BAIER: I think the newest labor number roughly, Senator, if I look from 2005

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to 2006 to 2007, was about 16,000, 17,000 new positions that they can track above and beyond year over year. [LB895]

SENATOR RAIKES: So...and what percentage of those are you attributing to the Advantage Act? [LB895]

RICHARD BAIER: Well, I think...my gut, Senator, is if you take a look at the number, we created 12,000 jobs and we've got 15,000 new ones. I'd hope there's a pretty strong correlation, but I think it's kind of hard to measure that. [LB895]

SENATOR RAIKES: Okay. And I take it from what you're...well, with this proposal... [LB895]

RICHARD BAIER: Um-hum. [LB895]

SENATOR RAIKES: ...is that a lot of the jobs we have don't pay enough. [LB895]

RICHARD BAIER: Well, I think part of the challenge, Senator, and you'll recognize this in terms of us beginning to target more higher-tech, technology-based companies create a little bit different challenge and a need for a little bit different tool. I think there's good jobs out there, but again, we need to be competitive in terms of some of those higher-tech industries, the R and D things that really couple well with what the universities are doing in terms of research, whether you're at the Med Center looking at cancer treatment or whether you're somebody that's at UNL that's going work in specific kinds of grain treatment, looking at those R and D facilities, how do they lead to these high-tech companies? And how do they lead to the higher-tech opportunities available in those companies? [LB895]

SENATOR RAIKES: But there's no effort here to limit it to high-tech or R and D, so lawyers, accountants would all qualify here. [LB895]

RICHARD BAIER: I think that that's true, yeah. And my gut is, Senator, is if we had a company that came to us and said, we'd love to relocate a law firm from Denver that's going to do title work, for example, and we'd like to do title work for such and such company and we'd like to have 150 title lawyers on staff in Grand Island, I think that would be great. [LB895]

SENATOR RAIKES: Okay. I will just read you from the fiscal note so that... [LB895]

RICHARD BAIER: Um-hum. [LB895]

SENATOR RAIKES: They did an analysis I'll quote: There are expected to be a total of 14 projects qualifying under tier 6. The new projects are expected to include

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professional service firms, two of which are presently located in Nebraska, and a third firm out of state but with Nexus in Nebraska. So we're...this is not all new firms. We can...there is an opportunity for somebody that's already here to take advantage. [LB895]

RICHARD BAIER: Absolutely. Absolutely. I mean, the key to any economic development effort is making an opportunity and a business environment for your existing companies to grow and prosper. They would be available to this opportunity as well. [LB895]

SENATOR RAIKES: Okay, and this program, again, would be a net cost to us resident taxpayers who don't qualify of \$13 million in full? [LB895]

RICHARD BAIER: There would be a suggested anticipated loss of revenue of \$13 million, that's correct, Senator. [LB895]

SENATOR RAIKES: Okay. [LB895]

RICHARD BAIER: I don't perceive it as a cost, I perceive it as an initial loss of revenue. [LB895]

SENATOR RAIKES: Okay. [LB895]

RICHARD BAIER: We could have that discussion. You know, we've had that discussion before. [LB895]

SENATOR RAIKES: Yeah, yeah. Okay. Do we have any other questions? I don't see any. Thank you, Richard. [LB895]

RICHARD BAIER: Thank you. [LB895]

SENATOR RAIKES: Other proponents, LB895? Yes, sir. [LB895]

LON LOWREY: Senator Raikes, members of the committee, my name is Lon Lowrey, it's L-o-w-r-e-y. I'm with Novartis Pharmaceuticals, and I'm also testifying on behalf of the Lincoln Chamber of Commerce and the State Chamber of Commerce today. I'll keep my remarks very brief. I'd like to first of all congratulate the Governor for his futuristic thinking in terms of introducing this bill, and also members of the committee that have signed on to the bill. A little bit about myself, if I may, with the pleasure of the committee: I have been inside the plant, I worked inside the Novartis plant...and Senator Raikes, it's always wonderful working with you with our arrangement there...but I was inside the plant for 16 years. I left Lincoln in 1987 and moved to St. Louis and my current job. So while I am in St. Louis, I do get back to Nebraska a lot as a I work with a

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lot of you in the session. I will have to admit that I don't miss the weather of Nebraska at the moment, okay. I was here two weeks ago, it was minus seven degrees, and then the snow storm yesterday. We are a company that did benefit from LB775 in the first place, and I will say that I had somewhat firsthand knowledge that was a factor in the corporation deciding to keep jobs, you know, the plant here in Nebraska. Now, we have several factors in this great state, we have a stable work force, we have a terrific work ethic in the Midwest. And so what incentives were provided under LB775 helped management keep their plans to keep the plant in the state. And then also LB312 assisted us with expansion, and I believe we added somewhere in the area of 150 jobs under the LB312 proposal. I think that's still under review or we're still working with the department on that. But basically what this bill will do from our perspective as I see it, it's going to eliminate the brain drain. We're talked...I think the Governor mentioned it in his opening remarks, we're educating a lot of great students in our universities only to lose them to Kansas City or Denver or Chicago or Minneapolis. I think this is a one step forward, another tool to help us try and minimize the brain drain. I see future biotech opportunities. I was just in the state of Kansas last week and spoke with the Speaker of the House. Kansas right now is on the cutting edge of getting a major biotech proposal approved in Manhattan, so you are in competition, as you all know with direct, you know, direct states, border states with you. So I see biotech opportunities, I see solar manufacturing opportunities, I see a lot of opportunities. There's a lot of things that we today cannot foresee that we're going to be making or doing down the road that would be great benefits by having this bill passed. So, and then the final thing I'd like to say is that we are a global company. We have plants and research facilities all over the world, and whatever you can do to keep yourself competitive in that international market along with border states will go along to help the future of great-paying jobs for the state of Nebraska. With that, I close. If you have any questions for me. [LB895]

SENATOR RAIKES: Okay, thank you, Lon. Questions for Lon? I don't see any. [LB895]

LON LOWREY: Thank you. [LB895]

SENATOR RAIKES: Thanks for being here. [LB895]

LON LOWREY: Thank you. [LB895]

SENATOR RAIKES: Other proponents, LB895? Sir, welcome. [LB895]

DENNIS HIRSCHBRUNNER: Thank you, Senator Raikes, members of the committee. My name is Dennis Hirschbrunner, H-i-r-s-c-h-b-r-u-n-n-e-r, and I am a registered professional engineer in Nebraska. I'm also an executive vice president with HDR. And I'm here today to testify in support of the bill; however, I am not here to testify in support of the bill in representing HDR. I'm representing myself as a citizen. I think the other thing that I would like to share with you, as Lon did, I would like to share just a little

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information. I've been in practice in Nebraska for over 38 years. I worked both in outstate rural Nebraska with a practice for 14 years before I went to work for HDR, and my job now allows me to travel all over the country to see what other states are doing in the area of economic development, economic growth. And so what I wanted to do today was share with you two thoughts in support of the bill. And the first thought I had, it follows the testimony of both the Governor and Lon and others, and that is we need to do something to reduce the brain drain in Nebraska, and I can tell you it's real. I also sit, I have the privilege of being the vice chair of the dean's advisory board for the college of engineering for the University of Nebraska. And I have the opportunity to interact with many of the engineering students, especially the juniors and seniors, as they get close to graduation. And when you start talking to them and ask them what they're going to be doing, where they're going to be practicing, not very many are staying in Nebraska. And again, pretty much along the lines that the Governor testified and others have testified earlier, there aren't the opportunities, there aren't the jobs and the types of jobs that they're looking for. So I think one of the first and foremost things that I see that this bill could do is help us reduce the brain drain in Nebraska. I view the young students, the young graduates as probably our greatest resource, and I think it's a shame when we continue to export our resources rather than keep them here. The second thing I would like to share with you is economic development. And I think that as this state and as we as citizens go forward, the challenges that we're all going to face and certainly Revenue Committee is going to face as we continue to deal with aid to education, as we deal with healthcare and other issues that are going to require more and more resources to address, one of the ways that we can do that is by growing our economy. And this is a jobs bill, but it's also an opportunity to attract new industries, industries that may not already exist here that would come in and provide additional economic growth and benefit to our state. And as an example, just one that a lot of us continue to overlook, and I think if you think about Offutt Air Force Base and you think about STRATCOM, I think that you can see already that we've had several new defense contractors that have located facilities in this area. And I think that would be another area that we could look at as far as attracting additional businesses along with biotech, healthcare...insurance is another area. And so there's a number of businesses that we could attract to the state of Nebraska. So with that, I would like to conclude my testimony, and I would open it to questions. [LB895]

SENATOR RAIKES: Thank you, Dennis. Senator Cornett has a question. [LB895]

SENATOR CORNETT: Yes, Dennis. You touched on a subject that I've researched quite a bit and introduced bills to try and stimulate that area of our development when you mention the defense contractors. Three years ago I introduced a bill to exempt military retirees. This committee amended that bill to make it an incentive package for defense contractors because we had testimony in front of this committee and lobbyists for the defense industry down working the lobby in regards to the fact that even though we had the jobs here, we couldn't fill those jobs because we didn't offer the tax benefits

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for the retiree, and we didn't offer any of the benefits that they find in other states.
[LB895]

DENNIS HIRSCHBRUNNER: Um-hum. [LB895]

SENATOR CORNETT: I mean, you know, you hear Nebraska doesn't have mountains, we don't have skiing, we don't have oceans, so even if we offer the incentive to the company, how are we going to attract the employee to stay and/or move to Nebraska?
[LB895]

DENNIS HIRSCHBRUNNER: That's a great question and I think what it's going to take is it...I don't think there's any silver bullet that we're going to come up with. I think it's going to take a number of initiatives. I think it's going to take a number of people and a number of organizations working together to create that opportunity. I would share this with you: As far as...I think if you look at Offutt and the changing assignment of Offutt, I think if their current mission stays that way for a period of time, I think that you'll see the opportunity to get at least more defense contractors. And I don't know if it necessarily solves the other problem, but I... [LB895]

SENATOR CORNETT: I was going to say, it's not...it's a reverse of the normal situation in this state. [LB895]

DENNIS HIRSCHBRUNNER: Um-hum. [LB895]

SENATOR CORNETT: We have the businesses. [LB895]

DENNIS HIRSCHBRUNNER: Right. [LB895]

SENATOR CORNETT: And we have the demand for the product... [LB895]

DENNIS HIRSCHBRUNNER: Right. [LB895]

SENATOR CORNETT: ...which is services to Offutt, but we can't attract the employee.
[LB895]

DENNIS HIRSCHBRUNNER: Right. And I don't have a good answer for you today.
[LB895]

SENATOR RAIKES: Any other questions? Dennis, you mentioned talking to students graduating...graduating engineers. [LB895]

DENNIS HIRSCHBRUNNER: Um-hum. [LB895]

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SENATOR RAIKES: I would be surprised if HDR couldn't make an offer to a student like that that would be pretty attractive and would be inclined...make them inclined to stay in the state. [LB895]

DENNIS HIRSCHBRUNNER: We actually do hire a number of engineering students each year from the university, we do. [LB895]

SENATOR RAIKES: And they stay in the state? [LB895]

DENNIS HIRSCHBRUNNER: They have the opportunity to stay in the state, but we have become a national company and we have 150 offices across the U.S. And so they have the opportunity to stay and work in Omaha, but they also have the opportunity to go to any of the other offices. [LB895]

SENATOR RAIKES: So that raises a question in my mind: Suppose a firm like HDR qualified for these tax incentives, they would have to keep the base number of people in the state for the qualification, but they could certainly hire people and ship them to offices in other states as well. [LB895]

DENNIS HIRSCHBRUNNER: Sure. [LB895]

SENATOR RAIKES: Okay. All right. We appreciate your testimony today, Dennis. [LB895]

DENNIS HIRSCHBRUNNER: Thank you very much. [LB895]

SENATOR RAIKES: Thank you. Welcome. [LB895]

CINDY JOHNSON: (Exhibits 4, 5) Good afternoon, Senators, members of the Revenue Committee. My name is Cindy Johnson, that's C-i-n-d-y J-o-h-n-s-o-n. I'm with the Grand Island Area Chamber of Commerce and today I'm testifying of behalf of the Nebraska Chamber of Commerce, the Omaha Chamber of Commerce, and the Nebraska Economic Developers Association in support of LB895. I also have a letter that the Nebraska Farm Bureau Federation asked to be distributed to the committee supporting LB895. Communities across the state, particularly in outstate Nebraska, are wrestling with viability. Population is aging and young people are graduating from high school and headed off to college. One of our challenges is recruiting these young, educated, and trained, skilled individuals back to our communities. There are a number of local initiatives already in place; Norfolk has some, Grand Island, Columbus, Kearney, all are involved in ways to encourage the return of these former residents following their higher education. After all, our tax dollars go to support these youth through their elementary and high school education, 12 years, and then at the state university. We have a significant investment in these young adults. In addition to trying

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to find ways to bring these youth back to our communities, we're also looking at recruiting new individuals to our communities, but there have to be jobs for them to come back to or there has to be a climate that allows these young, trained professionals to bring a company or a career back with them to our communities. The challenge is there and it's time to do more. Governor Heineman has proposed a bill that would help in these efforts. LB895, Nebraska Super Advantage, would modify the state's existing set of business incentives with an expansion that would provide tax incentives to businesses, creating new jobs that pay at least 150 percent of the state's average wage or 200 percent of the average wage in the county where the business is located, whichever is greater. In Hall County, that means the required annual wage would be \$58,772, as our annual average wage is just over \$29,000. Imagine what 75 new jobs at \$58,772 would mean to our community, to your community: First, the 75 high-paying jobs at \$58,000 plus; the additional support jobs at market rate; the induced economic impact, the impact of the employees spending their discretionary income; and the indirect economic impact, the impact of businesses purchasing goods and services from other businesses, real estate taxes from new home purchases, utility revenues, etcetera. Nebraska has taken significant strides to becoming more attractive to business. Thank you for your vision. This legislation is another move in the right direction. Thank you. [LB895]

SENATOR RAIKES: Thank you, Cindy. Are there questions? Senator Langemeier has one. [LB895]

CINDY JOHNSON: Yes? [LB895]

SENATOR LANGEMEIER: Thank you, Senator Raikes. Ms. Johnson, thank you for your testimony, it's very good. Using Grand Island for an example and the \$58,000, do you think the 75 jobs are obtainable? With support, let's say that creates 100, 125 with support staff. Is that obtainable to bring to Grand Island, to Nebraska? [LB895]

CINDY JOHNSON: We actually looked at that number when we looked at the legislation and I don't know if 75 is a good number. Fifty might be a good number for a smaller community like Grand Island. We definitely agree that there should be a threshold; it needs to be a significant number of new jobs to the community. So I would leave that up to your discretion of 75 as attainable or rather for a smaller community if that could be a different number. [LB895]

SENATOR LANGEMEIER: Okay. Thank you very much. [LB895]

CINDY JOHNSON: You're welcome. [LB895]

SENATOR RAIKES: Other questions? I don't see any. Thank you. [LB895]

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CINDY JOHNSON: Thank you. [LB895]

SENATOR RAIKES: Other proponents, LB895? [LB895]

BOB HALLSTROM: Senator Raikes, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as a registered lobbyist for the Nebraska Bankers Association in support of LB895. I would like to commend Governor Heineman and Senator Janssen for bringing forward the legislation, along with the other sponsors of the bill, to promote the types of jobs that can result in bringing graduates or making graduates have an opportunity to stay at home for high-paying jobs or to return back home when it's time to raise and educate their children. Mr. Baier had indicated that a third of the projects under the Nebraska Advantage Act have located in rural areas of Nebraska. As we talk to bankers across the state, one of the challenges that they face in bringing loan officers into rural communities is that they generally have the need to have a second job for a spouse. We think the new tier under the Nebraska Advantage Act and the types of jobs that it promotes to bring to Nebraska will provide greater opportunities in that respect as well. I'd be happy to address any questions that the committee may have. [LB895]

SENATOR RAIKES: Thank you, Bob. Questions? Would this impact banking directly in that could you see banking firms qualifying for this? [LB895]

BOB HALLSTROM: Financial institutions, Senator, both in the banking and insurance industry have qualified for the incentives under the Nebraska Advantage Act and other incentive programs. So there, yes, would be direct impact, but also indirect impact in terms of the jobs that it brings to the various communities across the state. [LB895]

SENATOR RAIKES: Although except for their lobbyists, they wouldn't pay big enough salaries to... [LB895]

BOB HALLSTROM: (Laughter) We'll visit about that some other time. [LB895]

SENATOR RAIKES: Any other questions for Bob? Thank you, Bob. [LB895]

BOB HALLSTROM: Thank you. [LB895]

LYNN REX: Senator Raikes, members of the committee, my name is Lynn Rex representing the League of Nebraska Municipalities. I'd like to thank the Governor for introducing this measure. We think by making the state of Nebraska more competitive, you clearly make municipalities across the state more competitive. And we strongly support this measure for the reasons that have already been stated to you. I indicated to you last week that I would be here supporting this bill because those folks that are involved in attracting and keeping businesses and jobs in this state know that you're

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dealing not only with tax policy, the status of your educational structure, as well as the whole road infrastructure. This is a very important mix and we really support the effort here because I think that this is going to make a big difference across the state. And I think it's also going to be important to know and has already been stated that a third of the jobs under the Nebraska Advantage Act have been located in rural Nebraska. And that's big because I think a lot of folks think it's only Lincoln and Omaha, and it isn't...not that we don't support Lincoln and Omaha, we're just saying that it's also important that the rest of the state benefit from this. I'd be happy to respond to any questions that you might have. [LB895]

SENATOR RAIKES: Okay, thank you, Lynn. Questions for Lynn? [LB895]

LYNN REX: Thank you very much. [LB895]

SENATOR RAIKES: Thank you. Any other proponents, LB895? Opponents, LB895? [LB895]

JAY SCHMIDT: You have a contrarian. I was on the board with a contrarian that we had and he helped us think of a...I hope this is helpful. Jay Schmidt, S-c-h-m-i-d-t. Mr. Chairman, committee members, a few years ago Time Magazine carried a series of articles on state tax incentives. It was a long series and followed a number of states and a number of different kinds of incentives. They concluded that the supposed gain in jobs cost so much that the cost could never be recovered, and in some states it listed the particulars and how much for a particular job. Those incentives have grown even greater. Incentives then are such that the rest of us have to make up the slack when we come to a point of needs for university systems, for our schools, for healthcare, we say, well, there just isn't enough tax dollars to do the needed thing. We reduce the base, the tax base. It's no coincidence, then, that some of the states with the most generous tax breaks for business like Louisiana also have some of the poorest school systems. I'd suggest that if you want to promote good-paying jobs through incentives, just amend LB312 so that it has a high base for salary, something similar to this proposed bill. Thank you for your attention. [LB895]

SENATOR RAIKES: Thank you, Mr. Schmidt. Questions? I'll ask you one. The argument you get, I think, if you say, as you have, this reduces the tax base and drives in a hole, is that, well, gosh, everybody else is doing this.....and if we don't do it we're going to get left behind. How do you answer that? [LB895]

JAY SCHMIDT: It's kind of like...it is competitive and it was stated about Kansas getting this high-tech thing. It's kind of like a race to the bottom and you can get the best possible incentives by giving away the most, but finally that doesn't benefit the people of this state. That was what I would say. [LB895]

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SENATOR RAIKES: Okay. I don't see any other questions. Thank you for being here. Do we have any other opponents, LB895? Do we have any neutral testimony, LB895? I don't see any. Senator Janssen, would you like to close? [LB895]

SENATOR JANSSEN: Thank you, Senator Raikes. Just a couple of comments. Oh, thank you for your patience on this bill. We have heard longer testimony, and I thought the testimony was great. And you have to look at the...this bill would probably, it most likely bring in some more companies to the state of Nebraska, you know. And the existing companies would, most of them would probably have to reach that higher plateau also if they wanted to take advantage of this, so. With that, thank you, again, for your patience. [LB895]

SENATOR RAIKES: Okay, thank you, Senator. Any questions for Senator Janssen? I don't see any. That will close the hearing on LB895 and we will turn it over to our esteemed leader. Governor, thanks for showing up. You're welcome to stick around, but, you know, we understand. (Laughter) [LB895]

DAVE HEINEMAN: I got to get back to work (inaudible). [LB895]

SENATOR JANSSEN: Okay, what's next? Is Senator Howard here? Okay. All right, we will now move to LB784, Senator Howard, I believe, just came in the door. Welcome, Senator Howard, to the Revenue Committee. [LB895]

SENATOR HOWARD: Thank you. Thank you, Chairman Janssen. [LB784]

SENATOR JANSSEN: Go right ahead. [LB784]

SENATOR HOWARD: Thank you. Thank you, Chairman Janssen and members of the Revenue Services (sic) Committee. For the record, I am Senator Gwen Howard and I represent District 9. I appreciate this opportunity to introduce LB784. The purpose of this bill is to ensure that business participants in the Nebraska Advantage Act are in compliance with existing statutes regulating the employment of individuals who come into this country. I want to clarify that I don't fault anyone for wanting to provide a better life for themselves or their families, but I recognize that we have a problem regarding immigration and the solution must be shared by employers. The issue of undocumented workers has become an increasing concern to Nebraskans and to citizens across this country. As we seek policy solutions to address these concerns, we must begin by bringing employers to the table. We must work together to address these issues. The provisions in LB784 are simple. It requires participating taxpayers to certify that they have not knowingly violated any federal immigration law by employing undocumented employees unauthorized to work in the United States during the five years prior to application for participation in the Nebraska Advantage Act. The bill further requires disallowance or recapture of all the incentives set forth in the Nebraska Advantage Act

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to any taxpayer who has knowingly violated any federal immigration law by employing undocumented immigrant employees unauthorized to work in the United States during the five years prior to application for participation in the Nebraska Advantage Act. We have to find a way to address the growing concerns about this issue without victimizing people who are seeking a better life. I believe LB784 is a step in the right direction and I ask for your favorable consideration of this bill. Thank you. [LB784]

SENATOR JANSSEN: Thank you, Senator Howard. Are there any questions? Seeing none, thank you. [LB784]

SENATOR HOWARD: Well, thank you. [LB784]

SENATOR JANSSEN: Oh, oh, I'm sorry, Don, I didn't see your hand up. [LB784]

SENATOR HOWARD: (Laugh) A late entry. [LB784]

SENATOR PREISTER: I was late in raising my hand. Thank you, Senator Janssen. [LB784]

SENATOR JANSSEN: All right. [LB784]

SENATOR PREISTER: Senator Howard, this is self-reporting, you're just asking for a certification? [LB784]

SENATOR HOWARD: That's correct. [LB784]

SENATOR PREISTER: There isn't going to be anyone looking out into the applications or going out into the workplaces; it's essentially self-reporting? [LB784]

SENATOR HOWARD: That's exactly right. It's a certification, and I can just read this information in here, "By the president or managing officer of the taxpayer that the taxpayer has not knowingly violated the federal immigration law by employing aliens unauthorized to work in the United States during the five years prior to the date of application." [LB784]

SENATOR PREISTER: Okay. So we are assuming that businesses are operating legally now and not doing that. You're just asking them to certify and to state it again. [LB784]

SENATOR HOWARD: That's right. And really the intent is here that they will work with us, that they will be willing to be a partner in addressing the concerns that we all have about undocumented employees. [LB784]

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SENATOR PREISTER: Okay. Thank you. [LB784]

SENATOR HOWARD: You bet. [LB784]

SENATOR JANSSEN: Any other questions? Seeing none, thank you. [LB784]

SENATOR HOWARD: Thank you, sir. [LB784]

SENATOR JANSSEN: You going to stick around, Senator? [LB784]

SENATOR HOWARD: I will, thank you. [LB784]

SENATOR JANSSEN: Okay, all right. We'll take proponents first, those in favor of the bill. [LB784]

DIMITRIJ KRYNSKY: (Exhibit 6) Mr. Chairman, members of the committee, my name is Krynsky, K-r-y-n-s-k-y, and I would like speak in support of this bill, LB784. I support this bill which revoke tax initiative from the employers who knowingly hire illegal aliens. My reasons are: For first, the bill is in agreement with the federal law under the United States Code, title 8, subsection 1324(a)(1)(A), which prohibits aiding or abetting to illegal aliens. Second, compliance with this federal law is legitimate interest of the Nebraska's people because: for (a) to give a job those who are here illegally means to pass over an American worker; (b) in such case, American worker is pushed into poverty and to the system of public assistance paid for by taxpayers. This is attack on the human dignity of such worker and the misuse of the taxpayers' money. Three, to allow hiring of illegal aliens leads to moral disaster. Those who hire them flourish; those who play by the rules lose. An average taxpayer subsidizes this scam. The exploited aliens are not able to fully support themselves and therefore they use social services originally meant to support American citizens. Four, when employers are forced to obey the immigration law, many illegals aliens goes as well. Lately, some states as Oklahoma, Missouri, Arizona, and others adopted a very strict law and rules against the support of illegal aliens. It is reported that when the illegal aliens are leaving those states, as a result, criminality goes down, as well as the cost of the social services. To make sure that Nebraska would not become a safe haven for those illegal aliens who are fleeing the mentioned states, the bill LB784 is a step in the right direction. And now, I am open to questions. [LB784]

SENATOR JANSSEN: Okay, all right. Are there any questions? I don't see any. Thank you very much for your testimony. [LB784]

DIMITRIJ KRYNSKY: Thank you. [LB784]

SENATOR JANSSEN: Any other proponents? Any opponents? Oh, are you

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proponents? [LB784]

GEORGE KILPATRICK: Proponents. [LB784]

SENATOR JANSSEN: Okay, okay. [LB784]

PAUL MEYER: My name is Paul Meyer, M-e-y-e-r. For 28 years before my company went out of business, I was the corporate safety director for a major truck line here in Nebraska and around the whole Midwest, I was in charge of hiring a number, and I mean hundreds, of people. And back then we didn't have the program like SAVE, and yet I can say that I hired a number of people that...in fact I hired everyone...no one was an illegal alien. I like this bill. I would have signed it had we still been in business today. I would, however, like to see the bill altered just a bit. I would like to see the phrase "five years" eliminated. I would also like to see the phrase, "knowingly" eliminated. With the programs out there right now, there is no reason why someone cannot verify that the person that they are hiring has not or is not in this country legally, at least since they were born. And that's all I basically have to say. Like I said, I'm in favor of this bill, it's a step in the right direction, but I think it should go even further. Any questions? [LB784]

SENATOR JANSSEN: Questions? [LB784]

PAUL MEYER: Thank you. [LB784]

SENATOR JANSSEN: I don't see any. Thank you, Paul, for being here. [LB784]

SUSAN SMITH: My name is Susan Smith, that's S-m-i-t-h, S-u-s-a-n. Chairman and committee members, I support LB784. I believe this bill will protect the Nebraska Advantage Act from being abused. One of my concerns has been the quality of work by illegal aliens who may not speak, write or understand English, and who may not be properly trained or skilled and how that equates down to consumer safety. In June of 2006, the Omaha World-Herald reported approximately 60,000 illegal aliens lived in Omaha, and 150,000 total in the state of Nebraska. Well, they're working for someone, they're going to school or they're doing something else. So that is a major concern. This bill should help prevent businesses from getting the low bid for jobs because they are using illegal alien labor at much lower wages. It should help prevent the encouragement and inducement of more illegal aliens to our state and as we know, other states around us are passing legislation, making very tough laws and enforcing the hiring practices there as well. So we do have to be concerned about that because we're a direct pipeline between Colorado, Iowa, and Illinois, who are sanctuary states or proclaim to be. I think the only consideration--and it's a great step forward--the only thing I would like to see added is that to require the businesses to hire an independent company to run background checks on their employees and attach it to the application for this Nebraska Advantage Act or maybe make it periodically where they have to do that. The reason for

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me even bringing this up is that we had a situation last summer where a cleaning company was coming up for a city council contract. Well, their parent company in Arizona had also supposedly used a criminal background check. Well, an illegal alien who was working at one of their contracts at a local public school sexually assaulted 1 of their...a 14-year-old girl. And then, of course, it was found out as, you know, the ICE moved in and FBI and whatnot that this person had a long history, a criminal record, had been deported once but didn't know if he had ever left or not, and now he was working for this company again. And it was, in fact, the same company and our city council just refused to look into it or ask that they use an independent company, which is...some of the controls that Arizona did in this particular situation. They asked the companies who got their contracts to use an independent company to run their criminal background checks for them. So, but this is a great step in the right direction and I really appreciate Senator Howard introducing this bill. Thank you for your time. [LB784]

SENATOR JANSSEN: Are there any questions of Sue? Seeing none. Good testimony, thank you. Any other proponents? [LB784]

JEANETTE REAM: My name is Jean Ream, that's spelled R-e-a-m. Chairperson Janssen and members of the Revenue Committee, I would like my statement read into the record in my support of LB784. It states, as Senator Howard said in her bill, that the purpose of this bill is to ensure that business participants in the Nebraska Advantage Act are in compliance with existing statutes regulating the employment of immigrants. The bill further requires disallowance or recapture of all of the incentives set forth in the Nebraska Advantage Act to any taxpayer who has knowingly violated immigration law by employing undocumented employees. One of those incentives is the work opportunity tax credit administered by the Department of Labor, which provides a credit against federal income tax liability of up to \$2,400 for each qualified person hired. Categories of workers eligible for WOTC benefits include members of families that have received Aid to Families with Dependent Children or temporary assistance for needy families programs administered by the Health and Human Services. An employee who has produced false documentation to gain employment is likely to use that same documentation to access these programs. This puts the burden of the families of illegal workers on the taxpayers of Nebraska and passage of LB784 would reduce the number of undocumented workers and save Nebraska citizens money. In an article in the Omaha World-Herald written on August 7, 2007, Homeland Security spokesman Russ Knocke said that last year as many as 10 percent of the 250 million wage reports that the Social Security Administration received belonged to employees whose names did not match government records. The article also stated that in the past, many employers simply ignored the no-match letters or that they were unsure of what to do about them. By mandating the requirements stated in this bill and the use of the existing e-verify system, these excuses will not be valid in the future. I ask that you advance this bill. Thank you. [LB784]

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SENATOR JANSSEN: Thank you. Any questions? Thank you for being here. [LB784]

JEANETTE REAM: You're welcome. [LB784]

MICHAEL J. McALPINE: My name is Michael J. McAlpine. First of all, let me say that I know that all of us or at least most of us are descendents of immigrants, but there's a big difference. My mother came from Holland when she was eight years old. My dad's parents came from Ireland to Canada subsequently to Minnesota, but they were legal. When my mother's family came, there wasn't anybody that taught them how to talk English, they learned it themselves. They had to; if they didn't, they didn't eat. Here a few years ago, we had a big building boom in Omaha, they built the Qwest Center and other, First National Bank, and after the projects were almost completed, we got a big headline in the Omaha World-Herald about the loss of tax money to the city, the county, and the state of Nebraska. They hired illegal immigrants to do a lot of the work on those buildings and they made them individual contractors. They paid them cash, none of them paid taxes or Social Security. Now, we knew that at that point in time, right after construction. Why wasn't something done by the state to get that money, to stop that practice? You know, I'm not against immigrants. We need immigrants, but by gosh we need them to come here legally and I think the law is a start but it's not enough. I was listening to the Glenn Beck program the other day and he had somebody taking his place that was from Texas, and a man from Arizona called in and this, whoever the guy was that was running the program said, you know, by the way, he said, I wanted to thank you. He said, the bill that Arizona passed has caused all the illegals to leave Arizona and we're getting them now and we have to stand the loss. It's time something is done. You know, I don't know what people don't understand about the word "illegal." That means to me, anyway, that they're breaking our laws by being here. Why do we allow that? I've never gotten an answer from anybody. That's my comments. Thank you. Any questions? [LB784]

SENATOR JANSSEN: Thank you, Michael. Any questions? Thank you. [LB784]

MICHAEL J. McALPINE: Thank you. [LB784]

SENATOR JANSSEN: Thank you for being here and being straightforward. Any other proponents? Step right up. [LB784]

JEROME WARNER: My name is Jerome Warner and I'm thoroughly disgusted with the way the federal government is running this illegal immigrant problem. In fact, they're not doing much about it. I believe all illegals should be deported, whatever nationality or ethnic background, etcetera. If an employer hires, I would say he must make for sure the applicant is legal and he should have a lawyer there and a lawman there to also ask this new hire if he is illegal. This will work as opposed to a lot of wimpy laws they got on the books and they've tried to enforce and they do enforce, they don't enforce. I am

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getting sick and tired of all these dad-blasted people coming in here illegal. And I could go on and say what bad things they do, but people in...the intelligent people in this room already know. Now, if a illegal gets through that first phase and it's found out that the man did hire an illegal, he ought to be punished, well, not too bad. But if he hires an illegal and it's found out that he knew he hired an illegal, I'd say put him out of business, take his license away right now. I am against illegal immigrants. I know why this is allowed; it's because of the federal government. So what the federal government is not doing, I implore the states to do. The states have more rights than they practice. They should start looking in the law books and finding out what the states' rights are. Thank you for your time. [LB784]

SENATOR JANSSEN: Are there any questions? Seeing none, thank you, Jerry, for being here. [LB784]

JACK REAM: Chairperson Janssen, members of the Revenue Committee, my name is Jack Ream, R-e-a-m. When companies violate the immigration law by employing illegals, their costs drop. Competitors must lower their costs to remain competitive in the same market and by that action encourages others to hire illegal workers, which further deepens the dependence on the illegal alien workers themselves. Other businesses can either hire cheaper labor or quit business. LB784, in my opinion, would prohibit companies from receiving incentives if found violating federal immigration laws by knowingly hire illegal aliens. And we must not forget that the companies that do hire illegals cheat them out of their employment benefits, disability insurance payments, and other benefits like sick leave and vacation time. This bill that I support will help ensure that businesses, participants, and others follow the Nebraska Advantage Act and are in compliance with existing statutes regulating the employment of immigrants. Thank you. If you have any questions... [LB784]

SENATOR JANSSEN: Thank you, Jack. Are there any questions? Seeing none, thank you for being here. [LB784]

JACK REAM: Thank you. [LB784]

DALE MONSELL: I'm Dale Monsell, M-o-n-s-e-l-l. Since this bill involves the hiring of immigrants and possibly illegal immigrants, I would just wish to briefly read off some background information that can be kept in mind when considering this supposedly cheap labor. The current U.S. immigration rate is higher than at any time since 1900. More than 1 million immigrants are admitted illegally every year in addition to the estimated 500,000 net illegal aliens, far more than our economy and environment can bear. Illegal immigration invasion is unprecedented. With 12 million plus illegal aliens currently living in the U.S., annual apprehensions at the U.S./Mexican border exceed 1 million and annual deportations total only 200,000. No other country entitles extended family members to immigrant visa like the U.S. does. Extended family members clog our

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immigration system with over 170,000 siblings, adult children, and parents. Thorough research conducted by FAIR has quantified the fiscal cost of illegal immigration to be at least \$70 billion annually. Immigration counts for 80 percent of the U.S. population increase today with foreign-born residents accounting for 12 percent of the population. Now, this 80 percent figure could also be kept in mind in another respect. Of the estimated, rather of the all the illegal immigrants entering this country, it is estimated about 80 percent come from Mexico. Basically, that's it. I appreciate the time. [LB784]

SENATOR JANSSEN: All right. Thank you, Dale. Any questions? Seeing none, thank you for being here. [LB784]

ALLAN BOGACZ: Thank you very much for having me. Thank you, Senator Howard, for putting this bill in, thinking after your taxpayers and looking after us, thank you very much. I want to tell you little quick little story. I don't know if it... [LB784]

SENATOR JANSSEN: Will you give me your name? [LB784]

ALLAN BOGACZ: Oh, sorry. Allan Bogacz. [LB784]

SENATOR JANSSEN: What was that? [LB784]

ALLAN BOGACZ: Allan Bogacz. [LB784]

SENATOR JANSSEN: Okay. [LB784]

ALLAN BOGACZ: Allan, A-I-I-a-n, Bogacz, B-o-g-a-c-z. [LB784]

SENATOR JANSSEN: Okay. [LB784]

ALLAN BOGACZ: Thank you. I work at a local hospital in Omaha and this is just a little short story. I am going to try to see how this corresponds. I was taking a Spanish class because I wanted to understand the immigrants that are coming in, trying to understand our patients coming into the hospital. And the teacher in the class was Spanish, coming from Metro Tech, was given the class. And the thing I found really funny about this was that she thought this was funny on this particular issue had to do with Social Security numbers. And she made a comment that a lot of the illegals, which she actually used the word "illegal aliens" that come in, use falsified Social Security numbers. And she made reference to the fact that you come up later on and you ask for another Social Security number and ask for verification of Social Security numbers, they give another number. And she thought that was quite funny. Well, needless to say, that left a very bad taste in my mouth. And what that does to me and what that does to the state of Nebraska, it uses up money that should be entitled to people that actually need it and are not using falsified Social Security numbers. So, and this particular bill that Senator

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Howard introduced, this would do the same thing. It should take some kind of verification that the people that are working in the companies should be able to do background checks and there should be some kind of verification on that. And I believe this is the very first, one of the very first step that will help us out in that. Thank you. [LB784]

SENATOR JANSSEN: Thank you, Allan. Any questions? Seeing none, thank you for being here. [LB784]

ALLAN BOGACZ: Thank you. [LB784]

SENATOR JANSSEN: Are there any more proponents? How many more do we have? How many more proponents? I see one coming up. I don't see any more. This will be our last proponent. [LB784]

ROGER YANT: Good afternoon. My name is Roger Yant, Y-a-n-t, and I'm really not here to complain about the people that come to our country illegally. I don't blame them for wanting to come to the greatest country in the world right now. It's a very desirable place to be. But I do believe that if they come here, they ought to do it legally like Dimitrij did, this gentleman over here who spoke earlier who immigrated here from Czechoslovakia 25 or 26 years ago. He did it the right way and I think that is the way that it should be done in this country rather than to come in and do it falsely. Now, I know if anybody on this committee or myself was to go out and get a Social Security number that is bogus and to go try and get a job and use that Social Security number and we were caught, I know that we would probably be in federal prison for doing this. I believe that they have people from all over the world who have come here illegally. I do believe that we should, you know, they should, I mean, they shouldn't be doing this, it is just completely wrong with the laws of our country. And I think this bill making it that the employer is the one who must verify and to check is very important. I think we already have this law in effect in the United States, but we don't act on it. And I think if we do go with this and the employer is the one that's going to be held liable for it, I do believe that we will have a lot less problems with illegal immigrants coming to the state of Nebraska. As somebody has stated before, some other states are now, Arizona, Oklahoma, and some of these states have passed a law and they're acting on it. And as Paul Harvey said the other day, you know where they're moving, they're moving to Nebraska, Iowa, and Kansas and to the middle part of the United States. He was talking about these bills these other states have passed. And I hope that this gets passed, I'm for it, and I am very much against people coming here and doing things illegally in our country. We try and uphold our laws and do the right things and I think the majority of us people do and they ought to do it the right way like Dimitrij did. And it's a long process to become a legal citizen, but people like him have done it. Thank you very much. [LB784]

SENATOR JANSSEN: Any questions? [LB784]

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ROGER YANT: Thank you. [LB784]

SENATOR JANSSEN: I don't see any. Thank you, Roger. Good testimony. Any other proponents? Seeing none, any opponents? Those opposed to the bill? [LB784]

JENNIFER CARTER: (Exhibit 7) Good afternoon, Chairman Janssen and members of the committee. My name is Jennifer Carter, C-a-r-t-e-r. I'm the registered lobbyist solely for the Nebraska Appleseed Center for Law in the Public Interest and we are here in opposition to LB784. Our understanding...I'm handing out written testimony, so I'll just highlight a few things, but...as well as some fact sheets...is that often employer sanctions are looked to and states look to them in part to deal with bad apple employers who are not living up to Nebraska community standards of wages and safety. And we completely empathize with the desire to target those businesses who are not really abiding by our labor laws. Our concern is that we don't think this is actually the best way to get to those employers. First, employer sanctions have not shown to be effective. It doesn't...there have been sanctions at the federal level for 20 years; it doesn't reduce the number of undocumented workers in an area. Second, it actually gives unscrupulous employers sort of legal cover for their bad acts. And often when we're dealing with undocumented employees, the employer just suddenly recognizes that they're undocumented when they bring a workers' comp claim or when they're trying to enforce some kind of labor law and they fire them or they call INS or they do whatever. This actually gives them legal cover for doing that, but doesn't ever help prove that they might have hired somebody knowingly. Also, it leads to discriminatory hiring practices, and this has been shown in a GAO report, that even against citizens and legal residents because employers then...they're not exactly doing their homework and instead what they do is anybody who appears to be foreign-born, they may not hire. It undermines working conditions for all employees because if workers are...unscrupulous employers are not abiding by the labor laws, and if they do have a number of undocumented workers, those workers will not stand up and challenge them on their practices. There's also a potential legal cost. There is some question as to whether these type of state employer sanctions are preempted by federal law and it's been litigated in other states to, you know, significant cost of legal fees. It also hurts good employers, I mean, to the extent we have law-abiding, decent employers out there who may have undocumented employees in part because there is no other available labor or they want to expand their business and there isn't other. It risks those employers losing or facing risks if they, you know, not in the same unscrupulous way, are hiring undocumented workers. I think there are other more effective alternatives to address these problems. We can strengthen our labor and safety laws, we can have take-back subsidies in the same way, but if a business fails to comply with safety or wage requirements, and that helps every worker in that business. We can also require businesses who are receiving subsidies to first comply with an OSHA consultation to ensure safety in that workplace. So those are alternatives and some of that is in the fact sheets. Also, just wanted to

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point out quickly that while places like Arizona and other places have looked to these employer sanction laws, it's really, I mean, I believe somebody called it a business death penalty. It has caused problems in terms of businesses in those areas and they're leaving the state, they're abandoning their expansion plans, and so I do think there could be a significant economic cost to this sort of action. And so we'd be very interested in having the committee look at other ways to strengthen our labor laws and address wage issues; we just don't believe this is the most effective way to do that. And I'm happy to take any questions. [LB784]

SENATOR JANSSEN: Thank you, Jennifer. Are there any questions? Senator White. [LB784]

SENATOR WHITE: First of all, thank you for testifying. I know that you're taking a position that's not popular and that takes a lot of courage. But I am troubled by one aspect of your testimony. [LB784]

JENNIFER CARTER: Um-hum. [LB784]

SENATOR WHITE: You said that these don't work and yet at the same time Arizona is having businesses shut down and people are leaving. You can't have it both ways. They're either effective and you don't like the impact or they're not effective. [LB784]

JENNIFER CARTER: Well, I think it depends on what we're saying they're trying to do. If we're trying to keep undocumented persons from coming into the country, if we think that's going to do it, I don't think that's the effect that these laws have. I think it just ends up hurting the local economy and we're not...and that's a federal law issue which we would agree with, we think there needs to be passage to legal entry into the country. So I think it depends on what we're saying that, what we're looking for these laws to do. [LB784]

SENATOR WHITE: Do you agree these laws are effective at keeping local businesses from hiring undocumented workers? [LB784]

JENNIFER CARTER: I don't know, actually, because I don't know how they're really enforced. [LB784]

SENATOR WHITE: Have they been in Arizona? [LB784]

JENNIFER CARTER: I don't actually know if they've been enforced in Arizona or if businesses are just leaving in Arizona because workers are leaving, too. I don't know. But I'm happy to get...and part of that is the director of our program was not able to be here because of the snow, and so she may have better answers to that and I'm happy to get back to you on that. [LB784]

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SENATOR WHITE: I appreciate your courtesy and again coming to testify. Thank you. [LB784]

JENNIFER CARTER: Yeah. Thanks. [LB784]

SENATOR JANSSEN: Senator Preister. [LB784]

SENATOR PREISTER: Thank you, Senator Janssen. You mentioned that some businesses were leaving these states that did impose some sanctions. Was that anecdotally or do you know certain numbers? Do you know businesses specifically? And if you do, I would be interested in having some of that information. [LB784]

JENNIFER CARTER: This is...we can maybe should get more, too, and one of the fact sheets that we gave you, it does list that...and I'm trying to think...it looks like it's coming from a paper that was done by the Migration Policy Institute saying that workers were being laid off, businesses were abandoning their plans to expand in Arizona, and some were even actually shifting their operations to Mexico, not even neighboring states. So...and that cite is in here, but I can certainly see if we can find other information for you. [LB784]

SENATOR PREISTER: Thank you. [LB784]

SENATOR JANSSEN: Any other questions? I don't see any. Thank you, Jennifer, for being here. [LB784]

JENNIFER CARTER: Thank you. [LB784]

SENATOR JANSSEN: Any other opponents? Any more opponents? Anyone in a neutral capacity? Seeing none, Senator Howard to close. [LB784]

SENATOR HOWARD: First, I would like to thank the individuals that have come in to testify, both in support and in opposition, for giving us their time to come and contribute, and I do really appreciate the thoughtful questions asked by members of this committee. Thank you for that. This bill begins to address the issue of illegal immigration by limiting the incentives that can motivate illegal behavior. In LB784, we simply ensure that we are not rewarding inappropriate behavior by granting tax incentives the Nebraska taxpayers have paid for to employers who knowingly employ individuals who are not documented to work in this country. It holds employers accountable, it brings them to the table. I believe this bill is...I hate to use the phrase again...but I believe this bill is a step in the right direction. Thank you. [LB784]

SENATOR JANSSEN: Thank you, Gwen. That ends the hearing on LB784 and I believe

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that Senator Synowiecki is here to introduce LB1033. Senator Synowiecki, welcome to the Revenue Committee. Let's just hold off a little bit until people clear the hearing room. They saw you coming up, Senator, and they're all leaving. Ready, set, go. [LB784]

SENATOR SYNOWIECKI: Mr. Chairman, members of the committee, my name is John Synowiecki. I represent District 7 from Omaha and I'm introducing today LB1033 for the committee's consideration. It's a bill to change provisions of the Nebraska Advantage Rural Development Act. LB1033 would extend tax benefits from the Nebraska Advantage Rural Development Act to applicants in villages, second class cities, and any area that was designated as a federal or state enterprise zone on January 1, 2005. Currently, the Rural Advantage Development Act is restricted to businesses and counties with populations of less than 25,000 people. As this committee is aware of, the rural tier of tax credits are geared toward small businesses that are not capable of making large investments in excess of \$1 million. However, providing these credits to small businesses on main streets and villages and second class cities that do not currently qualify for the benefits will stimulate economic activity throughout Nebraska. LB1033 will also extend these tax credits to Nebraska enterprise zones. Nebraska's enterprise zones were specifically included in the Nebraska Advantage Rural Development Act. However, Nebraska's five designated enterprise zones in Dawes, Douglas, Hall, Madison, and Scotts Bluff Counties have expired in statute and therefore they do not qualify for these credits. Enterprise zones by definition are distressed areas of the state where unemployment is higher than the state or national average where property is being abandoned, and where other forms of economic distress are occurring which adversely effect the general welfare of the people of the state. These areas are in need of significant investment and economic activity. I realize that there is currently a \$3 million limit on the rural tier of the tax credit. However, I think it is prudent to extend these credits to additional areas of the state that are in legitimate need. In addition, I hope the committee will give full consideration to Senator Burling's bill, LB1046, which would increase the limit of tax credits to \$4 million under this act. I want to thank you, Chairman Janssen and members of the committee, for your consideration. [LB1033]

SENATOR JANSSEN: Thank you, Senator Synowiecki. Any questions? Seeing none, are you going to stick around to close, John? [LB1033]

SENATOR SYNOWIECKI: Yeah. I doubt if I'll close, but I'll probably stick around. [LB1033]

SENATOR JANSSEN: Okay. All right. We have proponents first, those in favor of the legislation? [LB1033]

ED COCHRAN: (Exhibit 8) Mr. Chairman, members of the Revenue Committee, I thank you for the opportunity to testify before you this afternoon. My name is Ed Cochran, spelled C-o-c-h-r-a-n, and I'm the newly appointed executive director for the North

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Omaha Development Project. This project is a partnership between the Greater Omaha Chamber of Commerce, the corporate philanthropic and African-American communities within Omaha. I'm here today to testify in favor of LB1033 on behalf of the North Omaha Development Project, the Greater Omaha Chamber of Commerce, the Lincoln Chamber of Commerce, and the Nebraska Farm Bureau, which also support this bill. I thank Senator Synowiecki for introducing it as well as others here who cosigned it, including Senator Janssen, Senator Burling, and Senator Preister. As you know, the Omaha Chamber strongly supported the Nebraska Advantage Act in 2005 including the rural tier, which we saw as a critical component for statewide economic development. And as you've already heard here today, we're pleased with the overall success of that legislation. Prior to this legislative session, however, we found that we had common interests with the Nebraska Economic Developers Association who is testifying here today as well, I believe, and that we both wanted to make sure the rural tier was working as well as possible for rural Nebraska in addition to other areas of great need. The bill you have before you today is a combination of these joint interests. There is language in the bill that would allow for more rural areas to qualify for the tier of investment that includes as few as 2 new jobs and \$125,000 worth of investment and 5 new jobs and \$250,000 worth of investment. There's also language in that bill that, in effect, allow state enterprise zones as they existed prior to 2005 to qualify for the same threshold. This is not a new concept. In fact, the Nebraska Advantage Act as passed in 2005 currently says that state enterprise zones can and should qualify for the rural tier of investment. Clearly this is the intent of the bill. As you probably know, however, state enterprise zones were allowed to expire or at least the timeframes were not extended so that in reality, these areas in high need of economic development and jobs cannot currently qualify for this level of incentives. In an area like north Omaha, we see the threshold of 2 to 5 jobs and only \$125,000 to \$250,000 investment as a critical component of economic development that we'd like to stimulate there and believe that this is in the best interest of the entire state. However, the majority of the language of this bill, and in fact even the enterprise own language in this bill, is not about north Omaha. Other enterprise zones areas that could qualify across the state include portions of Scottsbluff, Chadron, Crawford, Newman Grove, Meadow Grove, Alda, and several other areas. We are not trying to recreate enterprise zone legislation here today with this language. We are merely trying to allow these areas of high need to be able to qualify for the rural tier of incentives as originally intended. And we are also trying to make sure that the rural tier work better and for more areas throughout the state that could benefit from this threshold and therefore benefit the state with more jobs, more investment, and more resulting revenue. Lastly, I would like to add that we will also be supporting Senator Burling's bill here today, LB1046, that would raise the cap on the rural tier from \$3 million to \$4 million so more of these types of projects could qualify and not be in competition for the current dollars allocated to the program. Thank you again for the opportunity to testify before you today and I would be happy to answer any questions. [LB1033]

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SENATOR JANSSEN: Thank you, Ed. Any questions? I don't see any, thank you for being here today. Next proponent, next proponent. [LB1033]

R.J. BAKER: (Exhibits 9, 10) R.J. Baker, R. J. B-a-k-e-r. I'm executive director of the Elkhorn Valley Economic Development Council. Our office is at Norfolk, but we serve all of Madison County, Stanton, Antelope, and Pierce Counties as well. I'm here in support of LB1033 on behalf of Nebraska Economic Developers Association and my own organization. You are receiving a letter of support from Nebraska Economic Developers Association. You're also receiving a Nebraska map and it points out the cities in the large population counties and villages that do not currently qualify for the rural tier. They're just somewhere around 100 second-class cities and villages where we are unable to help businesses in these communities. The previous speaker noted Newman Grove, which is one of my communities. It is 40 miles from Columbus. It is 40 miles from Norfolk and there's hardly a more rural community than Newman Grove. I have a personal experience in trying to help businesses in these smaller towns. We have a entrepreneurial program director that works with small businesses, and frankly it's disappointing when we cannot give them the same benefit of a small incentive to help them move their business to the next level, add some employees and contribute to the economic development and the economy of their rural communities. With that, I would close and ask for any questions. [LB1033]

SENATOR JANSSEN: Any questions? I don't see any. Thank you, Mr. Baker. [LB1033]

R.J. BAKER: Thank you. [LB1033]

SENATOR JANSSEN: Proponents? Anyone else in favor of LB1033? Seeing no other proponents, we will take opponents, those not in favor of the bill. Seeing none, anyone in a neutral position? Seeing none, Senator Synowiecki. You waive closing? All right. That ends the hearing on LB1033. Okay. Senator Burling, you have the next bill. Senator Burling. [LB1033]

SENATOR BURLING: Thank you, Senator Janssen, members of the committee. I'm Senator Carroll Burling, B-u-r-l-i-n-g, and I represent District 33 of the Legislature, and I'm introducing today LB1046 to change the application provisions and insert an emergency clause to the Nebraska Advantage Rural Development Act. Senator...just before me, Synowiecki. Senator Synowiecki did a good job of explaining the Nebraska Advantage Rural Development Act, and so I appreciate that and I won't go into that unless there are questions. But it does provide incentive for smaller businesses in rural Nebraska. Originally, a maximum amount of credits awarded under the act was limited to \$2.5 million in fiscal years '04-'05 and '05 and '06. Then it was increased to \$3 million in fiscal year 2006 and '07 and each fiscal year thereafter. Prior to the current fiscal year, the maximum total was not a limiting factor. However, credits awarded in the current fiscal year beginning July '07 have already hit the \$3 million mark according to

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information provided by the Department of Revenue. In effect, this means qualified projects are not receiving credits. It would appear that the \$3 million maximum will eliminate credits in fiscal year '08-09 unless the maximum is changed. So we have an act in place, projects qualifying, but the funds are no longer available because we've already hit the lid. And the Nebraska Advantage Rural Development Act has been very helpful in encouraging the growth and expansion of small businesses in rural Nebraska. Livestock producers, co-ops, seed companies, construction companies, manufacturing businesses, businesses that supply goods and services to rural Nebraska are among those that are effected by the act and adversely affected by this lid. Increasing the maximum amount of credits allowed would encourage even more growth in the state's rural areas. I might add also that in 2006, Senator Wehrbein introduced LB990 to include the livestock provision in this act, and that probably contributed also to reaching the \$3 million level so soon because we added that and then we did not increase the limit. So I encourage the committee to advance this to General File, and are there any questions? [LB1046]

SENATOR JANSSEN: Questions? Ron. [LB1046]

SENATOR RAIKES: Senator, do you support Senator Synowiecki's bill, LB1033? [LB1046]

SENATOR BURLING: I haven't decided yet. [LB1046]

SENATOR RAIKES: Okay. Well, the combination...we're out of money now, as you...in July we have about half enough? [LB1046]

SENATOR BURLING: Beginning with July '07 is the new fiscal year and we're already up to \$3 million by now already. So the rest of the fiscal year nobody will get anything. [LB1046]

SENATOR RAIKES: So roughly half. [LB1046]

SENATOR BURLING: Yeah. [LB1046]

SENATOR RAIKES: Yeah. So if we'd expand as suggested in LB1033, we could look forward to being out in August. [LB1046]

SENATOR BURLING: It would be similar to what we did with LB990 with Senator Wehrbein's bill to bring somebody else in, didn't raise the cap. Synowiecki's bill would bring more people in and I think that's where you're going with this, need to raise the cap there too. [LB1046]

SENATOR RAIKES: Well, yeah. I don't know. I mean, right now it's first come, first

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serve and I suppose, unless you wait until the end of the tax year, you couldn't prorate it. [LB1046]

SENATOR BURLING: No. [LB1046]

SENATOR RAIKES: Because you wouldn't know. So what's...I mean, you've got \$1 million here. That particularly if we adopt LB1033, that wouldn't be enough probably. [LB1046]

SENATOR BURLING: Probably not but I don't know if there's any statistics out there. Maybe somebody behind me would know. I don't know. I didn't look into that. [LB1046]

SENATOR RAIKES: Okay. Thank you. [LB1046]

SENATOR BURLING: I just know it's not enough now. With LB1033, I'm not sure how much more that might require. [LB1046]

SENATOR RAIKES: Okay. Thank you. [LB1046]

SENATOR JANSSEN: Any other questions? Seeing none, Carroll, thank you. We'll take proponents first, those in favor of the bill. [LB1046]

CRAIG HEAD: (Exhibits 11, 12) Good afternoon, Senator Janssen, members of the Revenue Committee. My name is Craig Head, C-r-a-i-g H-e-a-d. I'm the assistant director of government relations for the Nebraska Farm Bureau Federation here today on behalf of the organization to offer our support for LB1046. I might also point out that I've been asked by a number of other organizations to also register their support for the bill, including: the Omaha Chamber of Commerce of which you will be receiving a letter here shortly; the Nebraska Pork Producers Association; the Nebraska Bankers Association; and the Lincoln Chamber of Commerce. And so with that, I just begin by saying I really appreciate Senator Burling's interest and willingness to introduce the legislation to increase the cap for the Nebraska Advantage Rural Development Act. We were pretty excited about the movement, the development in rural areas that we've seen that have spawned out of the development of the act. It's been very beneficial, particularly from the aspect of livestock modernization here in the state. We've had a number of livestock producers seek to take advantage of the opportunities for the incentives that have been developed through the act. It's obviously been pointed out that we're short on dollars to move forward with even more opportunities. We have more applicants than we have dollars for. There's certainly an interest there. Again, our interest lies predominately not just with livestock, but again the livestock aspect is of great interest to us because over the last several years, it's become very apparent that livestock development in rural counties and rural communities is good for the local economy. And probably nothing points that out better than some recent studies that the

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Nebraska Public Power District has done over the last five or six years where they have looked at the local economic impact of livestock in their community. One of the statistics that I always like to share with folks that they point out in there is they looked at a 10-year span from 1996 through 2005. And they took the top seven livestock counties in the state and they found out what their average per capita income was, and then they compared it against other nonmetropolitan counties, other rural counties. And what they found is the counties that had, the top seven counties, had a 10 percent higher average per capita income rate in that county. It's really interesting when you look at Cuming County, our state's leading county, in terms of livestock development. They had a 25 percent above average per capita income in Cuming County alone. So the statistics bear it out. Counties that tend to have more livestock tend to better economically within the county, and we think this program helps move further in that direction to incent livestock development of the counties, as well as a lot of other rural businesses. So with that, we just register our support for LB1046. [LB1046]

SENATOR JANSSEN: Thank you, Craig. Could that be, in Cuming County especially, because the cattle prices were pretty decent? [LB1046]

CRAIG HEAD: Well, yeah, I think so. But when they did look over a ten-year time period, which that kind of bears out some cycles within the ten-year time period would show up. So yeah, there would be something to that. But I think it also gives some credibility to the long-term value of having livestock in the community. [LB1046]

SENATOR JANSSEN: All right. Any other questions? Seeing none, thank you. [LB1046]

CRAIG HEAD: Thank you. [LB1046]

SENATOR JANSSEN: Other proponents? [LB1046]

CHUCK HASSEBROOK: I'm Chuck Hassebrook, C-h-u-c-k H-a-s-s-e-b-r-o-o-k, representing the Center for Rural Affairs. I'll just register our support for LB1046. It seems to me that if we're going to go down the road of using tax incentives as our primary tool in economic development and we have, then we need to be equitable in how we treat small business and large business. And that means if we're going to not put very restrictive limits on the total volume of credits available to smaller businesses or not put those limits on the tax incentives for large businesses and we need to look at easing those restrictions on small businesses as well. Thank you. [LB1046]

SENATOR JANSSEN: Any questions? Chuck, I have one. Do you think we've done a pretty good job in the last 10 years, a better job than we have in the, say, 20 years ago for small business? [LB1046]

CHUCK HASSEBROOK: I think we've done a better job of starting, initiating new

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programs and new ways of addressing small business. I think there's still some inequity in the amount that we provide each sector relative to the jobs they provide. But I think we've at least started down the road of addressing the smaller business. [LB1046]

SENATOR JANSSEN: Okay. Any other questions? Ron. [LB1046]

SENATOR RAIKES: Chuck, are you familiar with some specific projects that have taken advantage of this program? [LB1046]

CHUCK HASSEBROOK: You know, I'm going to testify in the net one on the microenterprise program and I am familiar with specifics on that one. On this one, I'm not, in all honesty. [LB1046]

SENATOR RAIKES: Okay. Okay. Thank you. [LB1046]

SENATOR JANSSEN: Don't see any more questions, thank you, Chuck. Any other proponents? [LB1046]

LYNN REX: Senator Janssen, members of the committee, my name is Lynn Rex, representing the League of Nebraska Municipalities. And we, too, would like to go on record in support of this. We think this is important for small business across the state and helps the overall mix in terms of our economic incentives and packages that can be offered. I'd be happy respond to any questions that you might have. [LB1046]

SENATOR JANSSEN: Are there any questions? [LB1046]

LYNN REX: Thank you. [LB1046]

SENATOR JANSSEN: Thank you, Lynn, for being quick. Next proponent, please. [LB1046]

R.J. BAKER: (Exhibit 13) I'm R.J. Baker, executive director of Elkhorn Valley Economic Development. My name is spelled R. J. B-a-k-e-r. I am representing Nebraska Economic Developers Association and submitting a letter of support on their behalf. [LB1046]

SENATOR JANSSEN: Thank you. Any other proponents? [LB1046]

DUANE GANGWISH: Good afternoon, Senator Janssen, members of the committee. My name is Duane Gangwish, D-u-a-n-e G-a-n-g-w-i-s-h, and I'm here representing Nebraska Cattlemen. We seek to rise in support of LB1046 and would like to thank Senator Burling for introducing the funding increase provision to the Nebraska Advantage Rural Development Act. This act serves as a good faith to perpetuate the

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commitment to the state and the Legislature's need to help and strengthen agriculture in Nebraska. To continue to fund this program will again signify from the 100th Legislature the importance to the backbone of Nebraska's economy and workers within agriculture. Agriculture in Nebraska has been identified from the infusion has benefited from the infusion of this act to sustain and grow, and the proposed extra funding will help more ag producers to participate to a larger degree. One component of this act should not be overlooked. The hope of the qualified applicants to employ more people in the investment and growth of agriculture in Nebraska. Another often overlooked, often thought about in this act is the sustainability of an operation. In the past, there have been applicants that have gained access to these tax credits by filling the project requirements to maintain the current operation instead of closing down. As an example, a cattle feeding operation in Nebraska needed to drastically upgrade its environmental facilities. The cost of this specific project was \$750,000. Had the improvements not been made, the cattle feeding operation would have had to cease operations, ten employees would have lost their jobs, millions of dollars of economic impact not only to the local economy, but to the state as well. Although the tax credits in this case were sizable, the loss of the business to the local economy would have been highly detrimental. Nebraska Cattlemen urges the continued creating of new opportunities and sustain producers and their operations in the state's largest industry. The qualified producers and their families and employees work to make the land and animals viable and strong for Nebraska's long-term agriculture. Nebraska Cattlemen strongly urges the Revenue Committee and the members to advance LB1046. Nebraska Cattlemen has always come to see you with the capacity to provide honest insight to the process, and we thank you for your time and consideration. [LB1046]

SENATOR JANSSEN: Thank you, Duane. Senator Preister has a question. [LB1046]

SENATOR PREISTER: Duane, you mentioned the one cattle feeder who had to comply with some of the environmental regulations. Can you give us other examples of how the money has been used, what types of jobs, what other situations are you aware of off the top of your head besides that one? [LB1046]

DUANE GANGWISH: There have been...I'm not aware of specific ones, Senator. But in a broad sense, smaller producers, medium-sized producers, even larger producers use these tax credits when updating or improving. [LB1046]

SENATOR PREISTER: Yeah. I was wanting more specific ones rather. The general ones I can understand too, but I was interested in that. [LB1046]

DUANE GANGWISH: Yeah. I'm sorry, sir. I don't have names and... [LB1046]

SENATOR PREISTER: Okay, and I didn't necessarily want names. I was just thinking of the situations. I don't know that somebody necessarily wants their name here, but just

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the circumstances. And I should know, but is there a wage base tied to these incentives? In the other ones, there are some, but in this one I don't think there is, is there? [LB1046]

DUANE GANGWISH: I'm not certain, Senator. I don't know. [LB1046]

SENATOR PREISTER: Okay. I can check on that too. Thank you. [LB1046]

SENATOR JANSSEN: Other questions? Ron. [LB1046]

SENATOR RAIKES: And Duane, as a practical matter, these are livestock operations. I think the wording says it can be something other than livestock modernization or expansion, but as a practical matter, that doesn't happen? [LB1046]

DUANE GANGWISH: The livestock is allowed and that part of it we continue to support. [LB1046]

SENATOR RAIKES: Okay, and the projects you know about are mostly expenditures to meet DEQ requirements? [LB1046]

DUANE GANGWISH: Primarily, Senator. Those are required, obviously both under state and federal law. Though they'd be required, they are not always...seldom are they of any economic value to the operation. They choose to participate in those to continue in business. You may have some personal awareness of some of those, but those are extremely costly in today's business economy. [LB1046]

SENATOR RAIKES: If you got money from other sources, EQIP or somebody like that, would that exclude this as a source or not? [LB1046]

DUANE GANGWISH: I don't know the specifics. It would be our position that if you were able to have garnered other sources of cost sharing or cost assistant, that there shouldn't be any reason that you receive a tax credit on that portion that you received cost sharing or reimbursement. That wouldn't be prudent. But on those portions that were truly yours, that makes sense. [LB1046]

SENATOR RAIKES: Okay. Thank you. [LB1046]

SENATOR JANSSEN: Any other questions? Seeing none, thank you, Duane. [LB1046]

DUANE GANGWISH: Thank you. [LB1046]

SENATOR JANSSEN: Next proponent. Any more proponents? Any opponents? Anyone in a neutral position? [LB1046]

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DOUG EWALD: Chairman Janssen, members of the Revenue Committee, my name is Doug Ewald, E-w-a-l-d. I am the Tax Commissioner and I'm here to try to give a little technical background with respect to the statistics of this program. In 2006, I believe was the first year for the program and I can get you some details here. But we didn't come anywhere close to using the whole \$3 million or the state didn't spend that. In 2007, we did spend the entire \$3 million. Now, a lot of that was largely because we had one very, very large project and I can try to find out what maybe wasn't fulfilled, you know, that was asked to be received. In the current year, we are very close. I think we're somewhere in the neighborhood of \$2.5 million. So we're fairly close to knocking on the door to fulfilling the maximum available, yes, this year already. [LB1046]

SENATOR WHITE: For '08? [LB1046]

DOUG EWALD: For '08, correct. [LB1046]

SENATOR JANSSEN: Any other questions? Seeing none, thank you. [LB1046]

DOUG EWALD: If you'd like, I can get you some of the statistics and kind of, I'll get you what our data is on that. [LB1046]

SENATOR JANSSEN: Yeah. That would be helpful. [LB1046]

DOUG EWALD: And we do run it on a first in, first out basis as you said, Senator. And if we get two that come in on the same day and they happen to draw the last dollars left in the fund, we will prorate that between the two applications is what we'll do. All right. Thank you. [LB1046]

SENATOR JANSSEN: Okay. Thank you, Doug. Any other proponents? Any opponents? Neutral? I guess we are on neutral. No more neutral. Carroll, would you like to close? [LB1046]

SENATOR BURLING: Thank you, committee, and thank you for the testimony. Senator Preister asked a question about minimum wage. There is a minimum wage factor in the Nebraska Rural Development Act. Changes with fiscal year '06 was \$8.93 an hour; '07, \$9.25 an hour; '08, \$9.72 an hour is the minimum wage you have to pay to qualify. Thank you for your attention and are there any questions? [LB1046]

SENATOR JANSSEN: Any questions? I don't see any, thank you. [LB1046]

SENATOR BURLING: Thank you. [LB1046]

SENATOR JANSSEN: And that ends the hearing on LB1046. Senator Dierks to open

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on LB1088. Senator Dierks, tell us all about LB1088. [LB1046]

SENATOR DIERKS: Thank you, Mr. Chairman. I appreciate the opportunity to be here today as a presenter. My name is "Cap" Dierks, spelled C-a-p D-i-e-r-k-s, and I represent District 40. I'm here today to introduce LB1088. Rural Nebraska is a great place to live and raise a family. Throughout my legislative career, I sponsored legislation to enhance the quality of life for Nebraskans who live in the rural areas. LB1088 is a bill that will expand economic development in rural Nebraska. It removes the \$2 million cap on tax credits under the Nebraska Advantage Microenterprise Tax Credit Act. This change will be effective as of January 1, 2008. Citizens were able to apply for tax credits under the Nebraska Advantage Microenterprise Tax Credit Act as of 2006. During the first year, 456 businesses applied for the tax credit, only 227 received funds. In 2007, 408 businesses applied for tax credits. All funds for 2008 have already been requested. This is obviously a very successful program. The Nebraska Advantage Microenterprise Tax Credit Act targets distressed areas of the state and is designed for microenterprises, businesses employing five or fewer equivalent employees. There is a lifetime limit of \$10,000 for each applicant. Only one other tax incentive program, the Nebraska Advantage Rural Development Act, has a cap limiting the tax credits given each year. That program also applies to rural Nebraska. This appears to be fundamentally unfair to the rural areas of the state. If tax credits are unlimited in areas that are prospering, such as the eastern part of our state, why would we limit tax credits to businesses that locate in distressed areas of the state and employ a few number of people? These, in fact, are the businesses that provide rural economic development to rural towns and communities. They are the backbone of the rural economy. Thank you for your time and I'll try to answer any questions you have and I do have to tell you, there's some people that have a little more knowledge of it than I have that will be here right after I'm here. [LB1088]

SENATOR JANSSEN: You're not going to get off that easy. Ron. [LB1088]

SENATOR RAIKES: Senator, if you're successful with this, we're going to rename you "Capless" (laughter). [LB1088]

SENATOR DIERKS: You know, you can blame me for all the bad stuff. I want to take credit for the good stuff though too. [LB1088]

SENATOR JANSSEN: Any other legitimate questions? (Laughter) I see none, "Cap." [LB1088]

SENATOR DIERKS: Thank you. [LB1088]

SENATOR JANSSEN: Take proponents first. [LB1088]

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CHUCK HASSEBROOK: (Exhibit 14) I'm Chuck Hassebrook, C-h-u-c-k H-a-s-s-e-b-r-o-o-k, representing the Center for Rural Affairs. I want to begin by saying thanks to the committee and to Senator Janssen for your leadership in passing LB177, which passed last week and hopefully is signed into law by now. And that's very closely related to this bill, LB1088, today because LB177 addressed the microenterprise tax credit, and really made some important refinements in the credit to focus it on those investments that are going to be the best investments to create economic opportunity in distressed areas. We had some problems with this microenterprise tax credit. The fact is that one of the reasons the credits were used so rapidly, and they were used up by January 2 this year, was because some pretty bright people figured out that you could use those for routine replacement of farm equipment. And essentially all the credits or almost all the credits, at least anecdotally not all, but a large percentage of the credits were simply being used for routine replacement of farm equipment. That's not all of it. I mean, I know for example that the hardware store in Oakland expanded its line of products using this program. But much of it got used for routine farm equipment replacement. LB177 fixes that. It's going to focus...now with the law passed it will focus on beginning farmers, specialty nontraditional enterprises on farms and ranches, and nonfarm microenterprises. When I first saw the fiscal note on this bill this morning, I about had a cardiac arrest. The fiscal note suggests that in the first year it will cost \$37.5 million and \$52.5 million in the second year. I think there's a reason for that and I don't think it's an accurate reflection of what this bill really costs with LB177 in place. When LB177 was introduced last year by Senator Janssen, it included removing the cap and the fiscal note at that time was \$500,000 in the first year and \$1 million in the second year. And the reason it didn't cost very much is because it included the reforms that better focus this credit on the investments they're going to create economic opportunity in not only rural Nebraska, but struggling urban areas and intercity areas. And so one of my first suggestions, my first request would be that the committee seek a new revenue estimate on LB1088 in light of LB177 passing because it's a very different program after passage of LB177. I think this is an important piece of legislation because it really focuses on the businesses that have been the most potent in creating new economic opportunities in some of the most struggling areas in Nebraska, in our rural areas and in intercity areas. In the most rural counties in Nebraska, 60 percent of the new employment is self-employment. It's people creating a new job for themselves by starting a small business. And this is the only tax incentive program that really focuses on supporting and providing incentives for starting new self-employment oriented businesses. These businesses are very diverse. Some of them are local retail businesses, like my local hardware store that I mentioned. But many of them are the kinds of businesses that bring new dollars in from outside of the community and outside the state. Some of the microenterprises that we worked with in our programs at the Center for Rural Affairs provide some good examples of that. We work with a business in southwest Nebraska, for example, that makes wooden and copper barrels for use on Hollywood movie sets and sell them to MGM and Fox Studios and all the major television studios. Organic farms, new investment in organic farming. Organic markets

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are probably the most rapidly growing and the highest value markets. And people who grow organic grains are typically exporting them either outside the country or to the coast and so it's importing. It's producing a very high value product, exporting it out of Nebraska and importing real money into Nebraska, new dollars, new economic opportunities into rural areas. At the Center for Rural Affairs, we're looking at a new initiative to work with the U.S. Economic Development Association to develop networks for rural microbusinesses. Particularly microbusinesses made up of self-employed people, maybe with one or two employees who are highly skilled but want to come back to a rural area and provide business services, maybe it's computer programming, maybe it's accounting services, what have you, to metropolitan-based businesses in Chicago, Denver, Minneapolis, what have you. These are the kinds of businesses that if they band together in a network so they can get a critical mass that enables them to provide services to large metropolitan companies can be the kind of businesses that export services, import dollars into Nebraska. And particularly into Nebraska's rural communities or into Nebraska's intercities, the areas that most need support. My concern is that the potential for microenterprise to support our rural areas, to support our intercities is not matched by the commitment of resources from the state. This is an innovative new program. I'm a big proponent of it. But the fact is that in Nebraska, microenterprise accounts for nearly 20 percent of employment. But it gets less than 2 percent of the job creation tax incentives. And the reason is because we cap the incentives for small business; we don't cap the incentives for big business. And it just seems to me that what's good for the goose is good for the gander. I mean, if we don't want to put a limit on incentives for big business to create new jobs, then why are we putting a limit on incentives for the smallest businesses that have done the most in our rural areas to create new jobs? So I would strongly urge you to pass LB1088. It begins to provide more equity in the way we treat the smallest businesses that have been the backbone of the rural economy and also an important element in creating opportunity in our low-income intercity areas. Thank you. [LB1088]

SENATOR JANSSEN: Thank you, Chuck. Any questions? Seeing none, thank you. Next proponent, please? How many proponents do we have? One, two, three, four. Okay. [LB1088]

JEFF CHRISTENSEN: Hello. [LB1088]

SENATOR RAIKES: Welcome. [LB1088]

JEFF CHRISTENSEN: (Exhibit 15) I'm Jeff Christensen, J-e-f-f C-h-r-i-s-t-e-n-s-e-n. I'm a business loan specialist with the Northeast Nebraska Economic Development District. We provide business consultation, technical assistance, and loan packaging services throughout the district's 22-county service area. I'm here today in support of LB1088 to eliminate the limit on the tax credits under the Nebraska Microenterprise Tax Credit Act. I make it a point to make sure that all my clients that I meet are aware of the Nebraska

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advantage no matter what level that they're at. Through my contacts with numerous clients I see, together with their accountants and bankers who had brought to my attention that the \$2 million calendar year allocation for the microenterprise portion of the tax credits is not coming close to meeting the demand. Earlier this year, the Department of Revenue's Web site included a notice stating that as of January 2 of '08, applications received exceeded the \$2 million available and applications received after January 2 would be denied. Those applications that would be reviewed would be prorated among the applicants. I spoke with Jared Faltys, a CPA in Norfolk and Dave Oelkers and Ron Powers with Oelkers and Associates, LLC in Dodge and West Point about this issue. And they have indicated a majority of the time a client come to them to apply for the microenterprise tax credit, it's already been allocated. All those that did get their applications in submitted this year are estimated to receive approximately 50 cents on the dollar due to the prorated funding. I have included Mr. Faltys's letter in my packet and I believe Mr. Oelkers will be sending a letter directly to Senator Janssen. I have also included letters from other individuals that could not be here today that are also in support of eliminating the limit on the microenterprise tax credit. The first is from Rose Jaspersen, executive director of the Nebraska Microenterprise Partnership Fund located in Oakland. And the second is Keith and Marlene Anderson, owners of the Anderson Hardware in Oakland that Chuck mentioned. They've actually benefited from the microenterprise tax credit and expanded their business last year. Each has asked me to deliver a letter on their behalf. Thank you. [LB1088]

SENATOR RAIKES: Thank you, Jeff. Are there questions? I don't see any. Thanks for being here. Next proponent. Lynn, quickly please (laugh). [LB1088]

LYNN REX: Yes, sir. Senator Raikes, members of the committee, my name is Lynn Rex, representing the League of Nebraska Municipalities. We are in strong support of LB1088. We think this is a matter of equity that microenterprise tax credits are also given the same kind of attention that the tax credits are for larger entities in the state. And we do think that this will help our municipalities in smaller and rural areas of Nebraska and we appreciate your support today. Thank you very much. I'd be happy to respond to any questions. [LB1088]

SENATOR RAIKES: Thank you, Lynn. Questions for Lynn. I have one. [LB1088]

LYNN REX: Yes. [LB1088]

SENATOR RAIKES: The other tax incentives are not refundable, this one is. [LB1088]

LYNN REX: I do understand that. [LB1088]

SENATOR RAIKES: Okay. Well, the fiscal note... [LB1088]

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LYNN REX: We support it notwithstanding. I do think the fiscal note, as indicated earlier, I think LB177, Senator Raikes, does address some of the issues as Chuck indicated earlier in his testimony. LB177 does take care of a lot of the problems with the fiscal note with this bill. [LB1088]

SENATOR RAIKES: Okay. All right. Thank you. Any other questions? I don't see any. Thanks. [LB1088]

LYNN REX: Thank you very much. [LB1088]

SENATOR RAIKES: Other proponents? Yes, we have one. [LB1088]

CRAIG HEAD: Good afternoon. Again, my name is Craig Head with the Nebraska Farm Bureau. I'll keep my comments very brief. Again, for many of the reasons that were pointed out earlier, we support LB1088 from the standpoint of equity for rural areas and also just general economic development opportunity in rural Nebraska. So with that, I would conclude my comments. [LB1088]

SENATOR RAIKES: Okay. Thank you, Craig. Questions? Don't see any. Mr. Hansen, welcome. [LB1088]

JOHN HANSEN: Senator Raikes, members of the committee, for the record, my name is John K. Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union, appear before you today as our organization's president and lobbyist. We are in strong support of this bill. We think it is particularly effective and there is, I think, an inequity issue here. And these kinds of small business-type investments that go out into especially depressed areas are particularly helpful to the local economy in terms of generating revenue activity, and it's very effective at doing what needs to be done in these areas. And so we work on rural economic development initiative and the farm bill and all kinds of things, and this clearly fits within the framework of our policy. And we'd urge the committee to give it favorable consideration. Thank you. [LB1088]

SENATOR RAIKES: Thank you, John. Questions? Does this need to be refundable? [LB1088]

JOHN HANSEN: I don't know. I kind of wished it wasn't. [LB1088]

SENATOR RAIKES: Makes it more expensive. Okay. Thank you, John. Other proponents? Are there opponents? Is there neutral testimony? [LB1088]

DOUG EWALD: Chairman Janssen, members of the Revenue Committee, my name is Doug Ewald. I'm the Tax Commissioner. I'll be very quick here. I would like to maybe provide you with some statistics on a microenterprise program live to date is

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comparable to what we'll do with the rural as well. Obviously we are out of money on January 2. The reason for that...and the gentleman who spoke is correct. The people that did apply will get about 50 cents on the dollar. But last year there was a change in legislation that basically said any application received after November 1 will be deemed received on January 2 of the subsequent year. So we had a lot of cagey people out there actually, you know, that (inaudible) we're receiving applications on early November from that standpoint and they had to be postmarked by January 2 and those funds were divvied up. But we'll give you some statistics. We will also tell you the types of businesses maybe that applied for incentives under the micro. I think 60 percent plus are rural related. But I also know that we have other types that maybe the intent is not necessarily there from that standpoint. That's for you guys to decide. [LB1088]

SENATOR RAIKES: Okay. Thank you, Doug. Questions? I did want to mention I did get an invitation from you again this year to send in my corporate income tax on the little forms which... [LB1088]

DOUG EWALD: I'm hopeful that you accept that invitation. [LB1088]

SENATOR RAIKES: Although if I do, you remember you fine me \$100 because I was supposed to send it in on the...that's another topic. (Laugh). Okay. [LB1088]

SENATOR WHITE: Please, correct that, Doug, just for us. [LB1088]

DOUG EWALD: I might have to. Yeah. [LB1088]

SENATOR RAIKES: Okay. Thank you. That will close the...no. Senator Dierks? He's not going to close. He waives closing, so that closes the hearing on LB1088. And Chairman Janssen. [LB1088]

SENATOR JANSSEN: Thank you. We will open on LB912. Senator Avery, welcome to the Revenue Committee. [LB912]

SENATOR AVERY: Thank you, Mr. Chair. My name is Bill Avery, spelled A-v-e-r-y, I serve District 28 here in Lincoln. This is a Lincoln bill primarily. LB912 would amend the Convention Center Facility Financing Assistance Act to allow for the turn back of state tax revenue generated from a publicly or privately owned arena and convention center and any hotels located within 450 yards of those facilities. This bill expands the scope of LB551, which we passed last year, popularly referred to as the "Qwest Bill." It expands the scope to include public and private partnerships in building local event facilities. Seventy percent of the turnback revenue would go to construction or improvement of those eligible facilities. The remaining 30 percent, as in LB551, would go to the Local Civic, Cultural, and Convention Center...if you don't mind, I'll refer to that as the LCCC or some people refer to it as the Local Development Fund. This finances grants to

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communities for improving local tourism attractions. The LCCC Fund is an important and valuable resource for communities. I think there are some \$1.9 million in grant applications already pending on that fund, waiting for the fund to generate revenue. LB912 does not amend the current sunset clause in the act; applications for assistance pursuant to the act must still be submitted by June 1, 2010. Also, LB912 retains the requirement that state assistance received under the act may be used only for public purposes. In Lincoln, these turnback dollars are essential if we are going to build an arena. They will help us finance this arena, which is needed to replace the outdated Pershing Center. We find ourselves in a situation where the Pershing Center is no longer a desirable venue for many concerts, sporting events, conventions, and other events. I think there are others here who will speak to that more specifically. I didn't get a chance to look around to see who is here, but I think Mayor Beutler is here to talk about that. Actually, the Pershing Center is 50 years old now and it can no longer handle the logistical requirements for many performers and promoters that might want to use it. Lincoln does need a new arena to meet its growing needs. We believe it could be an important economic stimulus. We expect to build, and this is important, we expect to build a midsize facility that will compete with similar facilities, similarly sized facilities in Council Bluffs, in Des Moines, Iowa, and in Wichita, that we do not expect that this would compete with the Qwest Center. I have talked with Senator Ashford and he and I are working on an idea that would set up the means for the new arena in Lincoln to coordinate bookings with the Qwest Center so that people from the surrounding areas could come in on Friday, maybe, and attend a conference or maybe a concert at the arena, then stay overnight or go up to Omaha and spend the night, and attend another concert in the Qwest Center. And this could be great for the whole region. I hope that you will advance this bill and if you do, I plan to designate it my priority bill. Thank you. [LB912]

SENATOR JANSSEN: Any questions? Senator Langemeier. [LB912]

SENATOR LANGEMEIER: Chairman Janssen, thank you. Senator Avery, thank you for your testimony. The facilities that fall within the 450 yards, about a quarter mile, the hotels that would fall into that, are you hoping to take in the current hotels or is this only for new facilities built? [LB912]

SENATOR AVERY: This would include the new hotel that would be privately built just to the west of the Lincoln Station, which is the old railroad station. [LB912]

SENATOR LANGEMEIER: Um-hum. [LB912]

SENATOR AVERY: And it would capture sales tax...it would turn back sales taxes from the Holiday Inn only as an existing facility, it would not capture any other. [LB912]

SENATOR LANGEMEIER: It doesn't quite get to Embassy Suites. [LB912]

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SENATOR AVERY: No, it does not. We deliberately restricted it to that. [LB912]

SENATOR LANGEMEIER: Thank you. [LB912]

SENATOR AVERY: There was a lot of back and forth and measurements and stepoffs and trying to make sure we got the right number. [LB912]

SENATOR LANGEMEIER: Thanks. [LB912]

SENATOR JANSSEN: Any other questions? Were you all using the same ruler? (Laughter) [LB912]

SENATOR AVERY: My short legs. [LB912]

SENATOR JANSSEN: (Laugh) Seeing no more questions, thank you, Senator. We'll take proponents first. [LB912]

SENATOR AVERY: Thank you. [LB912]

SENATOR JANSSEN: Mayor Beutler, welcome to the Revenue Committee. [LB912]

CHRIS BEUTLER: (Exhibit 16) Mr. Chairman, it's nice to be here again. My name is Chris Beutler, for the record, B-e-u-t-l-e-r, mayor of the city of Lincoln, and I'm pleased to testify before you today in support of Senator Avery's bill. It's good to know, Mr. Chairman, that some things never change. I noticed in the last bill that Senator Raikes was discussing his personal problems with the committee and before the whole public (laughter). The city has two priorities this session; Senator Avery's arena bill is one of the two. In 1954, the city of Omaha built the Civic Auditorium; the city of Lincoln followed suit, completing Pershing Auditorium three years later. So, for 50 years the two cities have gone along, each with an arena, and both have done well. But Pershing is showing its age; its performance area, its seating capacity, its loading space, the performer dressing rooms, and event technologies are all outdated. Its concourse areas are too small, causing eventgoers to have to wait outside and many times in the cold of winter and the heat of summer. Access to food and beverage stands is extremely poor and Pershing's restaurant facilities can...were described in the consultant's report as "regrettable." In the words of our national consultant, Pershing Center is "functionally obsolete." And so four years ago, as a community we began the process of planning a new arena. We started with a feasibility study conducted by a nationally recognized firm, Convention Sports and Leisure International, out of Minneapolis. Along with validating the need for a new sports and entertainment venue to replace the aging facility, the CSL study also looked at five possible arena sites in downtown Lincoln, including the west Haymarket area. The study was followed by a year-long process during which the entire

community was afforded the opportunity to weigh in on the comprehensive downtown master plan. A consensus began to emerge; Lincolmites indicated that they wanted an arena in the west Haymarket area. Our community recognized that an events center in this underutilized area of central Lincoln would ultimately prove to be a catalyst for greater development and job growth. Its proximity to the downtown and the University was also part of its appeal. The master plan process was followed then by the Mayor's event facility task force in 2006. This group looked at a number of sites across Lincoln and ultimately concluded based on 50 different location criteria that the west Haymarket area is indeed the best place for the arena in the Lincoln area. And so the city and the private sector together spent much of 2007 planning and building community consensus. We formed a partnership committee, the West Haymarket Action Team, the WHAT committee, and intensified our community outreach efforts. In October of 2007, the Lincoln City Council voted unanimously to begin the process of soliciting proposals from private developers to build a convention center and a hotel near a possible new arena. Three months later, the WHAT committee narrowed the four remaining potential sites in the west Haymarket area down to three in that area and it identified a preferred configuration which you have in front of you on the second page of your handout. I think most of you are familiar with that area of Lincoln; if you're not, we're talking about an area--to oversimplify a little bit--that is west of 9th Street and north of 'O' Street. That does oversimplify a little bit, but that generally is the area. And when you get to the west side of that area by the railroad station, you can see on your map that the proposed facilities are arranged on a north-south axis along the west side of the developed Haymarket area. And we think that adding these facilities to the Haymarket area will be a tremendous synergy for that area. In any event, in two weeks our development proposals are due, and we've seen a great deal of interest and I expect a number of high-quality proposals. If all goes well, we look forward to opening the new arena in 2011 or 2012. But Senator Avery's bill is important this year because I have promised the citizens of my community that, city council being willing, they will make the final decision as to whether the city builds a new arena. The public will hopefully have the opportunity to vote next spring during either the primary or general election cycle. As we prepare for this vote, there is much work to be done. Voters expect solid data before making a decision to support what is for us a very, very significant local investment. They will expect details as to the financing package and that is why Senator Avery's bill is so important now. As our city finance director, Don Herz, will explain in a moment...he will be following me...these turnback dollars are a key revenue stream that we will use in financing the arena. LB912, if passed, would be part of the package we would present to the voters in the spring before they vote. I want to close by talking a little bit about what we are anticipating in terms of the size of the arena and convention center. With the arena, our consultant has recommended between 13,000 and 16,000 seats. At this point, most of the conversation is around the number 15,000. Our consultant tells us that this 13,000- to 16,000-seat range will fill a current void in the market between the smaller facilities in our geographic area and Omaha's Qwest Center, which is listed at 18,300 seats, and that information is shown on the first page of your handout. As for the

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convention center part, we are anticipating a facility with between 30,000 and 50,000 square feet of exhibit space and about 15,000 square feet of meeting space. This is significantly smaller than that available at Qwest, which has approximately 194,000 square feet of exhibit space and 62,000 square feet of meeting space. Obviously, I want to assure the committee that we are not building "Lincoln Qwest Center." Based on our extensive research, we believe we understand the Nebraska market and have adopted a marketing strategy focused on events that a university capitol city is best equipped to attract. We are simply trying to replace Pershing Center. In doing so, we will target those particular middle market tier events to our, we think, appropriately sized facility with a demographically appealing community...for a demographically appealing community such as Lincoln. When we do, Lincoln and Omaha will again find themselves as they were 50 years ago with 2 modern event facilities that complement one another and contribute to the overall economic growth of the state. Thank you again for your attention. And with that, I'd be happy to answer any questions, Mr. Chairman. [LB912]

SENATOR JANSSEN: Senator Dierks. [LB912]

SENATOR DIERKS: Welcome to the party, Mayor Beutler, and it's good to see you again. [LB912]

CHRIS BEUTLER: Good to see you, Senator. [LB912]

SENATOR DIERKS: Boy, as I look at the map, everything is colored tan. Is that going to be all new construction? [LB912]

CHRIS BEUTLER: Everything that is colored tan, yes, will be the new construction. [LB912]

SENATOR DIERKS: Okay. The old depot will be no...it will be gone, then, is that right? [LB912]

CHRIS BEUTLER: Well, you caught me, Senator. No, the old depot will not be gone. [LB912]

SENATOR DIERKS: Okay. [LB912]

CHRIS BEUTLER: The old depot will stay. [LB912]

SENATOR DIERKS: Okay. [LB912]

CHRIS BEUTLER: And the building will be extended to the west to then connect to the remainder of the hotel and convention center. [LB912]

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SENATOR DIERKS: Oh, I see, okay. Then what are your plans for the...for Pershing? [LB912]

CHRIS BEUTLER: Pardon me? [LB912]

SENATOR DIERKS: What will happen to Pershing? [LB912]

CHRIS BEUTLER: There will be a...a small amount of money has been put aside to do a reuse study on Pershing. We haven't approached the question of how it might be best used in the future, but we will have a separate effort designed to inform us on how best to proceed with Pershing. [LB912]

SENATOR DIERKS: Well, that's interesting. Thank you. [LB912]

CHRIS BEUTLER: Okay. [LB912]

SENATOR JANSSEN: Ron. [LB912]

SENATOR RAIKES: Senator Beutler, in spite of your clearly abrasive remark earlier (laughter), I'm going to respond in a conciliatory tone. [LB912]

CHRIS BEUTLER: Thank you, Senator. [LB912]

SENATOR RAIKES: And I want to thank you for keeping the snowplows out of my way going from my home to the Capitol and back. In that heaviest part of the snow, I was never bothered by passing a snowplow. (Laughter) [LB912]

CHRIS BEUTLER: Senator, it took special instruction on my part to keep those out of your way. [LB912]

SENATOR JANSSEN: Senator Langemeier. [LB912]

SENATOR LANGEMEIER: Thank you, Chairman Janssen. Thank you, Mayor Beutler, for your testimony. I'm trying to grasp this whole thing. I have two questions. First of all, in here where it says, 450 yards from the eligible facility, on your map here, what is the "eligible facility"? I mean, is that the arena, is that the convention center? [LB912]

CHRIS BEUTLER: The eligible facility is the arena, yes. [LB912]

SENATOR LANGEMEIER: That wouldn't extend down to the parking garage, that's all part of this project. [LB912]

CHRIS BEUTLER: Yes. [LB912]

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SENATOR LANGEMEIER: So we're running footage off the arena? Okay. That's what I wanted to know, thank you. And then my next question is, is we talk about the turnback dollars, that they're the dollars generated within this facility plus the hotels and no other businesses? [LB912]

CHRIS BEUTLER: No other businesses, just the hotels. [LB912]

SENATOR LANGEMEIER: Just, what, the Holiday Inn plus what might be new? [LB912]

CHRIS BEUTLER: The Holiday Inn plus the anchor hotel envisioned here, yes, Senator. That's my understanding. [LB912]

SENATOR LANGEMEIER: Okay, okay. That's what I thought, just wanted to clarify that. Thank you. [LB912]

CHRIS BEUTLER: Okay. [LB912]

SENATOR JANSSEN: Tom. [LB912]

SENATOR WHITE: Mayor, I appreciated your comments, particularly Senator Avery's and yours about cooperative aspects between Omaha and Lincoln. Unfortunately, there are numerous examples of cities getting into destructive competitions using facilities. You could think of a dozen of them on trying to attract professional sporting events. And that is a concern I have. Omaha and Lincoln are very close to each other. Lincoln does have an existing facility now, the Devaney Center, of approximately this size. Once the facility is built, I would hope that we do cooperate as communities in attracting new events and new economic development as opposed to entering into a race to the bottom... [LB912]

CHRIS BEUTLER: Absolutely. [LB912]

SENATOR WHITE: ...which would destroy the economic viability of not just Omaha's facility, but also Lincoln's new facility. To that end, you mentioned the size, which I agree, would prevent that. Would you have any objection if the act said it's limited to a new facility of that range you talked about, the 14,000- to 16,000-seat range? [LB912]

CHRIS BEUTLER: Senator, I don't think that I would. I think that I would like to consult with you and with the university a little bit more if you're looking for an exact number. You know, we're very interested, obviously, in having the university play its basketball games there, men's and women's; we need to figure out how to make that arrangement. I think the largest Big 12 facilities are just over 16,000 and we have no interest in going anything higher than that. Absolutely I'd feel a little more comfortable if we could have a

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perhaps more private conversation about it and include the university just to be sure we're all on the same track. [LB912]

SENATOR WHITE: And I think that's perfectly reasonable. My concern would be I don't...I understand, and by the way I appreciate your office's kindness, they've been most helpful in this concern, that the economics will not support an arena larger than that area, is what I'm assured by a number of sources. But unfortunately, when we spend governmental dollars, economics don't seem to necessarily apply at the time we make the initial investment; they sure catch up with us later, but initially they don't. And I don't want to put either city in the trap where we're using taxpayer dollars to get into what is going to be an economically disastrous competition between the cities. So I'd welcome the chance to talk privately, would work with you, the university, whoever, to make sure the city can meet its goals because it's been good for Omaha to have a new arena and I'm sure it will be good for Lincoln. [LB912]

CHRIS BEUTLER: Okay. If there are things that we can do that reassure you with regard to our attitude on marketing, I'd be delighted to talk to you because we really have no intention of trying to get the big things that Qwest can get. [LB912]

SENATOR WHITE: And if it can be reflected in the bill... [LB912]

CHRIS BEUTLER: And I would be less than honest with you, Senator, if I didn't say there are some small market things where there might be some competitive competition... [LB912]

SENATOR WHITE: And that's in the nature of the beast. [LB912]

CHRIS BEUTLER: ...but not on the broad scale, broad continuum. Qwest has been and is going to be, I think, tremendously successful on the national and broad regional setting, and there's no way we are interested in that or should be or could be interested in it, really. [LB912]

SENATOR WHITE: And I appreciate that; unfortunately, history shows us communities are littered with bond ratings that have been devastated by ill-advised construction of arenas and other sports facilities. So we do need to be careful and make sure we're protecting both the people of Lincoln's rights to a better future and a vibrant downtown, which I certainly support, but also that we don't get into that situation. [LB912]

CHRIS BEUTLER: Good. That suits me just fine. That makes a lot of sense to me. And Lincoln, by the way, has one of the best bond ratings of cities that size in the whole country. [LB912]

SENATOR WHITE: As does Omaha. [LB912]

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CHRIS BEUTLER: And we want to keep it that way, too. [LB912]

SENATOR WHITE: Yes, thank you. [LB912]

CHRIS BEUTLER: Okay. [LB912]

SENATOR JANSSEN: Senator Langemeier. [LB912]

SENATOR LANGEMEIER: Thank you, Chairman Janssen. Mayor, I want to clarify something; you said you do want the university to move their basketball into this potential new arena? [LB912]

CHRIS BEUTLER: We are in preliminary negotiation with the university in that regard. [LB912]

SENATOR LANGEMEIER: And why would we not use...keep that in Devaney? [LB912]

CHRIS BEUTLER: Well, Devaney is apparently...and you would best talk to the university about it...but Devaney apparently is very heavily used as a practice facility by a number of different sports at UNL and is a little smaller than they would like to have it for a basketball program. [LB912]

SENATOR LANGEMEIER: Before you go on, smaller in what way? There's obviously plenty of seats. If you've not gone to a game, there's plenty of seating. (Laughter) What do you mean by smaller? [LB912]

CHRIS BEUTLER: Well, the seating capacity, I think, is about 13,500... [LB912]

SENATOR LANGEMEIER: Okay. [LB912]

CHRIS BEUTLER: ...and they would like to have it up around 15,000 or maybe a little bit more. [LB912]

SENATOR LANGEMEIER: Okay, thank you. [LB912]

SENATOR JANSSEN: Any other questions? I don't see any. Mayor, thank you for being here. [LB912]

CHRIS BEUTLER: Thank you, Senator. [LB912]

SENATOR JANSSEN: Proponents? [LB912]

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DON HERZ: Good afternoon, Senator Janssen and members of the Revenue Committee. My name is Don Herz, and the last name is spelled H-e-r-z, finance director for the city of Lincoln, and I am here to testify in support of Senator Avery's LB912. As Mayor Beutler has mentioned in his remarks, I would like to review with you the fiscal impact of the amendments to the existing Convention Center Facility Financing Systems Act, and I'll just refer to it as "the act," and specifically in Section 13-2603. There are two proposed changes that are made to the act by Senator Avery's LB912. The first is to allow privately owned arenas, hotels, and convention facilities in addition to publicly owned arenas, hotels and convention facilities, to be eligible for the turnback of sales tax from the state. The second change is to increase the allowable distance between an eligible facility and associated hotel from 200 yards to a maximum distance of 450 yards. The first of these two changes has an impact if the associated hotel and convention facility are privately owned rather than owned by the city. Lincoln is anticipating...we would prefer that a developer propose building and owning the associated hotel and some portion of the convention space. We would prefer this form of ownership rather than the city owing and financing the construction of those facilities. While it appears that we are currently eligible to receive the turnback tax if the facilities are publicly owned, our preference would be private ownership to the extent possible. The fiscal note that was prepared by the Legislative Fiscal Office with input from the Department of Revenue shows that tax impact of a large hotel to be between \$750,000 and \$1.5 million. We are expecting that the anchor hotel for Lincoln to be a medium-sized hotel with approximately 300 rooms. So as a result, this smaller hotel and convention facility, we estimate the amount of sales tax turnback to be approximately \$440,000 with \$308,000 of it benefitting the city of Lincoln and about \$132,000 going to the Local Civic, Cultural, and Convention Center Fund, the local fund, which will benefit other smaller communities in Nebraska. Again, I want to mention that this cost to the state would occur without Senator Avery's amendment to the act if the hotel and convention facility were publicly owned as they are in Omaha. The second change increases the distance between an eligible facility and associated hotel from 200 to 450 yards. We are proposing this change to provide the flexibility to position the hotel at a distance further than 200 yards in the event that a hotel and convention center developer proposes such a layout. We chose 450 because that distance would preclude the city from asking for and possibly being eligible for turnback tax from the Embassy Suites, which is at 10th and 'Q' Street. You should be aware, and the mayor mentioned, that the existing Holiday Inn at 9th and 'P' streets will be within the 450-yard radius and may be eligible for turnback. While we do not know precisely what the taxable income is for the Holiday Inn, we would expect any impact to be less than what we estimate from the new anchor hotel. The Holiday Inn has approximately 230 rooms and...versus the 300 which we would expect with the anchor hotel. To summarize, what the public/private partnerships we would like...we would anticipate that the arena would be city owned and operated facility, much like the existing Pershing Center. The proposed hotel complex will likely be privately owned and operated. The status of the convention center is less certain with the potential for a jointly constructed and maintained facility.

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In addition to the fiscal impact of Senator Avery's bill, I will mention...and it's been discussed...that the city is negotiating with the University of Nebraska to host both their men and women's basketball teams at the new arena. We believe that this can be a win-win opportunity for both the city and the university. Finally, I would like to mention again that we do not view this facility as directly competing against other facilities within the state, including the Qwest Center in Omaha. The sizing that is being proposed fits what a city of approximately 250,000 people needs for its citizens. The sizing has been reviewed closely over the course of the past four years and we believe it has been optimally sized. With that, I'd be happy to answer any questions. [LB912]

SENATOR JANSSEN: Any questions of Mr. Herz? Seeing none, thank you for your testimony. [LB912]

DON HERZ: Thank you. [LB912]

SENATOR JANSSEN: Next proponent, please. [LB912]

MICHAEL NOLAN: (Exhibits 17, 18) Senator Janssen, members of the Revenue Committee, my name is Michael Nolan, spell the last name N-o-l-a-n. I'm the city administrator of Norfolk, testifying in support of the LB912. I'm having the pages distribute a letter and an attachment that I forwarded to Senator Flood in July about the Divots Convention Center in Norfolk. On the ground right now, the entire private investment is somewhere around, I think, \$12 million to \$14 million. Just for the discussion purposes, I calculated what it would be on a \$100,000 house on a 20-year amortization if it was entirely publicly funded, and it would be \$150 a year, so this is a significant investment that this citizen put into the facility. If you look at the traffic numbers that she generated on the second page, just to show you what the impact it is on bringing people to Norfolk, it's significant and the facility has yet to make a profit. She did this as a civic gesture. Our primary interests are in having access to the grant fund and also to achieve through the public/private partnerships eligibility for the throwback sales tax. But we've had, over the course of the many years that I've been in Norfolk, a number of occasions where citizens thought that the city of Norfolk should be putting on a bond issue on the ballot for us to provide a civic center for citizens. I look at this as being a terrific asset that our community has got. And I can tell you, I have about 50 places right now that in terms of our capital improvements that we should be putting between \$5 million and \$20 million. And I'm glad I don't have to look at trying to absorb this in a one- to six-year capital improvement plan. Having said that, I think it's our poster child for advocating that we continue to think about this whole context of public and private partnerships because fundamentally what we're all talking about, whatever the reasons are for legislation like LB912 is growing the state of Nebraska. I happen to be doing a track session at the League conference coming up here, and I happened to get on a Web site and look at what our population was in 1920. It was about 1.2 million people, so we haven't done a terrific job of growing the state in that interval of time, and

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we don't have a whole lot of people that are queuing up to come out here except maybe at the eastern end of the state. So anything that we can do to facilitate growth of communities through ideas like LB912, I think we should try to look at them. I'd answer any questions if you have them. [LB912]

SENATOR JANSSEN: Any questions? Seeing none, Mike, thank you for your testimony. [LB912]

WENDY BIRDSALL: (Exhibit 19) Good afternoon and thank you, Chairman Janssen and members of the Revenue Committee. I'm Wendy Birdsall, B-i-r-d-s-a-l-l. I'm president of the Lincoln Chamber of Commerce and I'm pleased to be here this afternoon to voice our support for LB912. You've already heard from Mayor Beutler and he gave an excellent review of the history and the current state of Pershing Auditorium, and the planning and analysis that our community has undertaken in preparation for taking steps for building a new arena for our capitol city. I don't want to repeat anything that's already been said, I would just like to impress upon you the strong partnerships that we've developed in Lincoln and we've worked on this issue for many years. We still have a lot of work ahead and I know the leadership of the city of Lincoln, the Chamber, the 2015 Vision Group, and many other individuals and organizations in Lincoln are ready to move forward with planning, fund-raising, public education, and public vote to build this west Haymarket arena complex. Senators, we've pulled together a great deal...a great group of local partners to make this dream a reality. We believe the model of public/private partnership will...is what will work best for Lincoln and many other cities as well in the state. But we need the state to be a partner as well. We need the changes proposed under LB912 to allow for equal treatment of private and public investments under the Convention Center Facility Financing Assistance Act. Thank you for your time and attention. I'd be happy to answer any questions. I would also like to submit a letter from the Omaha Chamber in support of this. [LB912]

SENATOR JANSSEN: Any questions? Senator Langemeier. [LB912]

SENATOR LANGEMEIER: Thank you for your testimony, you did a great job. [LB912]

WENDY BIRDSALL: Thank you. [LB912]

SENATOR LANGEMEIER: It's been brought up a number of times about, this is a replacement for the Pershing Center. [LB912]

WENDY BIRDSALL: Um-hum. [LB912]

SENATOR LANGEMEIER: However, if we move the university's basketball programs to this, is this not a replacement for the Devaney Center, which goes into a research facility, which goes into a remodel? [LB912]

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WENDY BIRDSALL: Actually, and I...the Convention and Visitors Bureau director is here with me as well and I served in that capacity in previous years...I can tell you that the frustration that we saw in trying to bring many events into the community to fill the Devaney Center as it sits today, to fill both of those facilities, the Devaney Center was full and we weren't able to use it on a regular basis as we saw fit. They have multiple events with intramural sports, with their regular basketball programs, which hopefully would be moved over to this new center. But I've seen, and I'm sure that Jeff will be able to expound upon this as well, many events that are currently coming to Nebraska that we could host in this new facility and the old facility as well. So we've got lots of things that we could line up and keep both facilities full. [LB912]

SENATOR LANGEMEIER: Thank you. [LB912]

SENATOR JANSSEN: Any other questions? Seeing none, thank you for being here. [LB912]

WENDY BIRDSALL: Thank you. [LB912]

JEFF MAUL: Chairman Janssen, members of the Revenue Committee, good afternoon. My name is Jeff Maul, for the record, M-a-u-l. I am executive director of the Lincoln Convention and Visitors Bureau, and I, too, am here to testify in support of LB912. This bill will level the playing field, we feel, for private sector investments under the current state laws regarding turnback financing for sports arena, hotel, and convention center projects. I would like to outline a few facts today that demonstrate the need for a new facility in Lincoln and how other communities across this great state can benefit. Number one, local governments increasingly view these arenas as...convention centers and conference centers as a critical element of economic development, particularly as a catalyst for reinvestment in underutilized areas. Secondly, new facilities pay for themselves over time by attracting out-of-town and out-of-state visitors to spend money and also generate tax revenues. And third, numerous sporting events and trade shows have left Lincoln and the state, for that matter, for other communities, primarily the Mid-America Center in Council Bluffs, which takes tax revenue dollars from our state into the state of Iowa. There's a lot of other Midwest cities as well that have an opportunity to bring events that were in our community to their state. When events leave Lincoln and other venues, the local communities in this state can expect to lose the economic equivalent of \$1 million to up to \$20 million to \$30 million per event, and that includes sporting events and annual conferences. I just want to make one final point on this and that is that Omaha Qwest Center and a new arena in Lincoln can coexist. The 2003 Randall Travel Marketing survey commissioned by our office stated that Lincoln is the best market served by statewide and regional events. We will attract our fair share of national events, however. I know that this state loses visitors and revenue every time an event is turned away from the Qwest simply due to a busy calendar and availability.

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The Qwest Center has done a great job of bringing events into their community and we feel there is room for another facility in our state. Keep in mind that these visitors that come to our communities, according to a 2003 study, spent an average of \$286.14 per night per travel party in our community. Increased opportunities via LB912 will benefit not only our community and develop these projects, but also allow for a statewide fund for additional redevelopment. Appreciate your time and consideration and be happy to answer any questions. [LB912]

SENATOR JANSSEN: Senator Langemeier. [LB912]

SENATOR LANGEMEIER: Thank you, Chairman Janssen. Thank you for your testimony, very good. You talked about bringing people in from out of state. Would you accept an amendment to this to exempt university tickets and sales for university events within that facility, basketball games? [LB912]

JEFF MAUL: I'm not sure that I'm comfortable with answering that question. That's a very good question. Again, that's the...something that we continue to take a look at is that balance between the university and a city facility of sorts, so obviously something that would have to be discussed at a later time. But good question on that part, so. [LB912]

SENATOR LANGEMEIER: Thank you. [LB912]

SENATOR JANSSEN: Tom. [LB912]

SENATOR WHITE: Are university events currently taxed? [LB912]

JEFF MAUL: Yes. [LB912]

SENATOR JANSSEN: Any other questions? Seeing none, thank you, Jeff, for being here. [LB912]

JEFF MAUL: Thank you. [LB912]

SENATOR JANSSEN: Are you going to dance? [LB912]

LYNN REX: (Exhibit 20) Something like that. Senator Janssen, members of the committee, my name is Lynn Rex, representing the League of Nebraska Municipalities. I appreciate the opportunity to be here this afternoon in support of LB912, thank you. Lincoln, Nebraska, is our best venue for conferences across the state; we hold five literally annual conferences and of those conferences, Lincoln always has our best turnout. This proposal was submitted to our larger and smaller cities' legislative committees. Our larger cities' legislative committees comprised of representatives of

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Lincoln, Omaha, and all first-class cities. Those are cities with a population of over 5,000. Our smaller cities' legislative committees comprised of 40 representatives from the other second-class cities and villages in the state of Nebraska. And it was unanimous from both committees, and also as an endorsement to the League executive board, a recommendation that this is a proposal that needs to pass and we hope passes this year. I think it's important for Lincoln that it passes this year. In addition to helping Lincoln itself...and also, we can see the other kinds of events that our members could come to when they come to the city of Lincoln for our League conferences and training workshops, which is somewhat of a selfish interest. But I think it's important that you know that whether it's Kearney or Omaha or Gering or any other venue, Lincoln is our best conference facility, barring none. And I don't mean just the facility, I'm talking about as a city, it's the capitol city. City officials from across the state can come here and do business whether it's with the Department of Roads, Department of Revenue, there's a lot of things they can do when they're in Lincoln, Nebraska. So with that, I would ask you to turn to the third page of this handout, which is titled "Local Civic, Cultural, and Convention Center Financing Fund." As with the Qwest Center, 70 percent of these throwback sales tax dollars will go into this fund. And if you look at the third page, I would like to highlight for you that essentially there were 23 applications in 2003 when this fund opened up. Of those 23 applications, 8 were funded, raising...ranging, rather, from \$20,000 to \$500,000 and the \$500,000 was for the Heartland Center in Grand Island. There's a long list of municipalities waiting to be funded under this. So this particular kind of bill with the component of 70 percent going to pay off the bonds plus the 30 percent going into this fund helps communities all across the state. And not just large ones, but small ones too because there were museums that were granted funding under this; it's really important for the rest of the state, too. So it's not just a Lincoln bill, not just a bill for cities that want to take advantage of this particular provision, but I would just underscore for you the importance of this statewide. And with that, I'd be happy to answer any questions. [LB912]

SENATOR JANSSEN: Any questions of Ms. Rex? Seeing none, Lynn, thank you. [LB912]

LYNN REX: Thank you very much. [LB912]

SENATOR JANSSEN: Um-hum. [LB912]

LYNN REX: I appreciate it. [LB912]

SENATOR JANSSEN: Next proponent? [LB912]

JACK CHELOHA: Good afternoon, Mr. Chairman and members of the Revenue Committee. My name is Jack Cheloha, the last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha. I wanted to testify in favor of LB912 today.

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First and foremost, I'd like to go on record and thank this committee for their vote last year in advancing LB551 by Speaker Flood, which ultimately helped with our project in Omaha. Those of you who have been around for a while know that that was a multiyear project. We started out, you know, roughly a decade ago with the idea of thinking we could pay for it with an increase in our local option sales tax and that didn't quite go over very well, and then we tried a formula that didn't quite generate the revenue we thought it would. And so last year we made the change where I think ultimately it's going to help and, you know, help us take care of the bonds on the Qwest Center. And through all of this, Lincoln and the other cities have been quite helpful to us and supportive to us, and so with that I wanted to, you know, be supportive to our municipal brothers and sisters down here in Lincoln and just tell you that the city of Omaha supports LB912. And I'll try and answer any questions you might have. [LB912]

SENATOR JANSSEN: Thank you, Jack. Any questions? Any other proponents? Any other proponents? Any opponents? Anyone in a neutral capacity? Seeing none, Senator, do you waive closing? [LB912]

SENATOR AVERY: Yes. [LB912]

SENATOR JANSSEN: Okay. That ends the hearing on LB912 and the hearings for the day. Thank you very much for being here. [LB912]

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Disposition of Bills:

LB784 - Advanced to General File, as amended.
LB895 - Advanced to General File, as amended.
LB912 - Advanced to General File, as amended.
LB1033 - Held in committee.
LB1046 - Held in committee.
LB1088 - Advanced to General File, as amended.

Chairperson

Committee Clerk